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STRENGTH | FOCUS | GROWTH

IGM Financial™

ANNUAL REPORT 2009

IGM FINANCIAL INC. is one of Canada's premier financial services companies with $121 billion in total assets under management. The Company serves the financial needs of Canadians through multiple businesses, each operating distinctly within the advice segment of the financial services market. The Company is committed to building on its record of delivering long-term growth and value to its clients and shareholders. IGM Financial Inc. is a member of the Power Financial Corporation group of companies, and its shares are listed on the Toronto Stock Exchange (IGM).

Investors Group™ Mackenzie INVESTMENTS* Investment Planning Counsel™ FINANCIAL SOLUTIONS FOR LIFE

Caution Regarding Forward-Looking Statements

Certain statements in this Annual Report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial's current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the Company's, and its subsidiaries' control, affect the operations, performance and results of the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes (including adoption of International Financial Reporting Standards), operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Company's business is provided in its disclosure materials filed with the securities regulatory authorities in Canada, available at www.sedar.com.

Non-GAAP Financial Measures

This Annual Report contains non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to "adjusted net income", "adjusted diluted earnings per share" and "adjusted return on average common equity" used to provide management and investors with additional measures to assess earnings performance. As well, "Earnings before interest and taxes (EBIT)" and "Earnings before interest, taxes, depreciation and amortization (EBITDA)" are non-GAAP financial measures used to provide management, investors and investment analysts with additional measures to evaluate and analyze the Company's results. However, these non-GAAP financial measures do not have a standard meaning and are not directly comparable to similar measures used by other companies and may not be directly comparable to any prescribed GAAP measure. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

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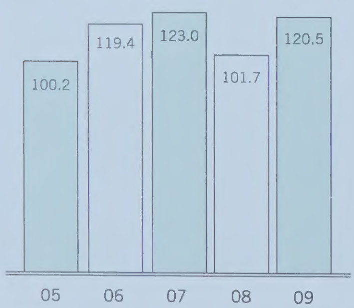
FINANCIAL HIGHLIGHTS

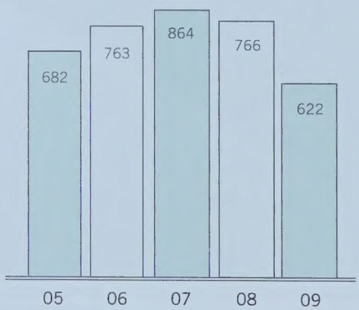
	2009	2008	CHANGE
Net income *($ millions)*			
Adjusted(1)	**$ 621.9**	$ 766.1	**(18.8)%**
GAAP	**559.1**	730.8	**(23.5)**
Diluted earnings per share			
Adjusted(1)	**2.35**	2.89	**(18.7)**
GAAP	**2.12**	2.76	**(23.2)**
Return on equity			
Adjusted(1)	**14.8%**	18.2%	
GAAP	**13.3%**	17.3%	
Dividends per share	**2.05**	2.00	**2.5**
Total assets under management(2) *($ millions)*	**$120,545**	$101,742	**18.5 %**
Investors Group			
Mutual funds	**57,655**	47,491	**21.4**
Mackenzie			
Mutual funds	*40,624*	*35,814*	
Sub-advisory, institutional and other accounts	*22,955*	*18,846*	
Total	**63,579**	54,660	**16.3**
Counsel			
Mutual funds	**2,140**	1,740	**23.0**

	INVESTORS GROUP	MACKENZIE	COUNSEL	TOTAL(3)
Mutual Funds and Institutional Sales *($ millions)*				
Gross sales	**$ 5,042**	**$ 11,643**	**$ 343**	**$ 16,661**
Net sales (redemptions)	**404**	**(1,405)**	**106**	**(1,045)**

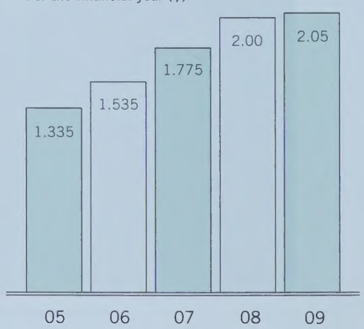
Total Assets Under Management
As at December 31 *($ billions)*



Net Income(1)(4)
For the financial year *($ millions)*



Dividends Per Share
For the financial year *($)*



(1) *Non-GAAP Financial Measures:*
2009 results excluded items recorded in the fourth quarter:
- *$66.2 million which represented a non-cash after-tax charge on available for sale equity securities related to the market environment.*
- *$17.8 million which represented a non-cash income tax benefit resulting from decreases in Ontario corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001. There is no expectation that the future tax liability will become payable as the Company has no intention of disposing of these assets.*
- *$14.4 million which represented the premium paid on the redemption of the Series A preferred shares on December 31, 2009.*

2008 results excluded:
- *$60.3 million charge recorded in the fourth quarter which represented the Company's proportionate share of Great-West Lifeco Inc.'s after-tax impairment charge related to goodwill and indefinite life intangible assets.*
- *$25.0 million gain recorded in the second quarter which represented the Company's proportionate share of Great-West Lifeco Inc.'s after-tax gain on the sale of its healthcare business, Great-West Healthcare.*

(2) *Total assets under management excluded $2.8 billion of assets sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel ($2.1 billion at December 31, 2008).*
(3) *Total Gross Sales and Net Redemptions excluded $367 million and $150 million respectively in accounts sub-advised by Mackenzie on behalf of Investors Group and Investment Planning Counsel.*
(4) *2006 and 2007 excluded a non-cash income tax benefit.*

REPORT TO SHAREHOLDERS

IGM Financial and its operating companies experienced an increase in total assets under management over the last three quarters of 2009 subsequent to the market lows experienced during the first quarter of 2009 due primarily to changes in global stock market values. As a result, net income for the Company was down year over year, while quarterly results improved throughout the year.

Investors Group Inc. and Mackenzie Financial Corporation, the Company's principal businesses, continued to generate strong activity through product innovation, investment management, resource management and distribution expansion throughout the year.

The Company is well diversified through its multiple distribution channels, product types, investment management units and fund brands. Assets under management are diversified by country of investment, industry sector, security type and management style. A primary theme in our business model is to support financial advisors as they work with clients to plan for and achieve their financial goals. The scope of our business and our association with other members of the Power Financial Corporation group of companies, have placed the Company in a position of leadership and strength in the financial services industry. Together, these elements will enable IGM Financial to create long-term value for its clients, consultants, advisors, employees and shareholders over time.

Adjusted net income for the year ended December 31, 2009 was $621.9 million compared to adjusted net income of $766.1[1] million in 2008. Adjusted earnings per share were $2.35 in 2009 compared to adjusted earnings per share of $2.89[1] in 2008.

Adjusted net income for the year ended December 31, 2009 excluded:

- A non-cash charge of $76.5 million ($66.2 million after tax) on available for sale (AFS) equity securities related to the market environment.
- A non-cash income tax benefit of $17.8 million resulting from decreases in Ontario corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001.
- A premium of $14.4 million paid on the redemption of the Series A preferred shares on December 31, 2009.

Net income without adjustment for the year ended December 31, 2009 was $559.1 million compared to net income without adjustment of $730.8 million in 2008. Earnings per share on this basis were $2.12 in 2009 compared to $2.76 in 2008.

Total assets under management at December 31, 2009 totaled $120.5 billion. This compared with total assets under management of $101.7 billion at December 31, 2008, an increase of 18.5%.

Dividends were $2.05 per share for the year.

INDUSTRY PERSPECTIVE

In early 2009 global stock market index levels reached recent record lows and then grew significantly through the rest of the year to close at levels similar to those seen in the third quarter of 2008. In the context of these large downward and upward market changes, a strong relationship with an advisor to keep focused on long-term financial goals is important.

The significant role of an advisor in helping with financial planning is appreciated by the vast majority of investing Canadians. The Investment Funds Institute of Canada (IFIC) has now published four annual surveys conducted in 2006, 2007, 2008 and 2009 indicating that approximately 85% of mutual fund investors preferred to invest through an advisor and they highly rated the support and advice provided by their advisors.

OPERATING HIGHLIGHTS

The Investors Group Consultant network continued to expand to its highest level on record of 4,633 Consultants at December 31, 2009. Since June 30, 2004, we have had 22 consecutive calendar quarters of net growth in the Consultant network. With a further two region offices announced in 2009, we have 95 region offices across Canada.

Investors Group continued to respond to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized

[1]Adjusted net income in 2008 excluded items related to the Company's equity interest in Great-West Lifeco Inc.:

- A $60.3 million charge recorded in the fourth quarter representing the Company's proportionate share of Great-West Lifeco Inc.'s after-tax impairment charge related to goodwill and indefinite life intangible assets.
- A $25.0 million gain recorded in the second quarter representing the Company's proportionate share of Great-West Lifeco Inc.'s after-tax gain on the sale of its healthcare business, Great-West Healthcare.

financial advice. Throughout the year Consultants worked with clients to help them understand the impact of financial market volatility on their long-term financial planning.

Investors Group mutual fund assets under management were $57.7 billion at the end of 2009 compared to $47.5 billion in 2008. Gross sales were $5.0 billion compared to gross sales in 2008 of $5.9 billion. Our redemption rate on long-term mutual funds for 2009 was 7.4% compared to 7.9% at December 31, 2008. Net sales of mutual funds in 2009 were $404 million.

Mackenzie maintained its focus on delivering consistent long-term investment performance true to the multiple styles deployed in the investment process, while emphasizing product innovation and communication with advisors and investors through this period of market volatility. Our focus is evidenced by the strength of Mackenzie's relationships with financial advisors, the work undertaken with investor and advisor education programs and our commitment to focusing on active investment management strategies. During 2009, we were successful in completely integrating the acquired operations of Saxon Financial as well as streamlining a number of other activities while enhancing our future operating capabilities. These initiatives, coupled with our continued focus on expense management, resulted in a decline in expenses on a year over year basis.

Mackenzie's total assets under management were $63.6 billion, compared to $54.7 billion at December 31, 2008. Gross sales were $11.6 billion, down from the prior year level of $12.3 billion. Total net redemptions for the year were $1.4 billion, improving from 2008 by almost 50%.

IGM Financial continues to build its business through a strategic focus on multiple distribution opportunities delivering high-quality advice, innovative investment and service solutions for investors. Our scale and investment in technology and operations continue to help us manage our resources effectively and develop long-term growth in our business. Our stability in our various businesses, combined with our association with the Power Financial Corporation group of companies, provides the foundation for lasting relationships with our various stakeholders.

LOOKING AHEAD

As Canadians reflect on market volatility since the summer of 2008, they will increasingly be focused on making informed decisions to provide for their long-term financial planning needs.

IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, service innovations, effective management of the Company and long-term value for our clients and shareholders.

On behalf of the Board of Directors,

Murray J. Taylor
Co-President and
Chief Executive Officer
IGM Financial Inc.

Charles R. Sims
Co-President and
Chief Executive Officer
IGM Financial Inc.

February 12, 2010

Investors Group™

INVESTORS GROUP INC.

Investors Group is committed to comprehensive planning delivered through long-term client and Consultant relationships. We provide advice and services through a network of approximately 4,600 Consultants to nearly one million Canadians.

Murray J. Taylor
President and Chief Executive Officer
Investors Group Inc.

HIGHLIGHTS

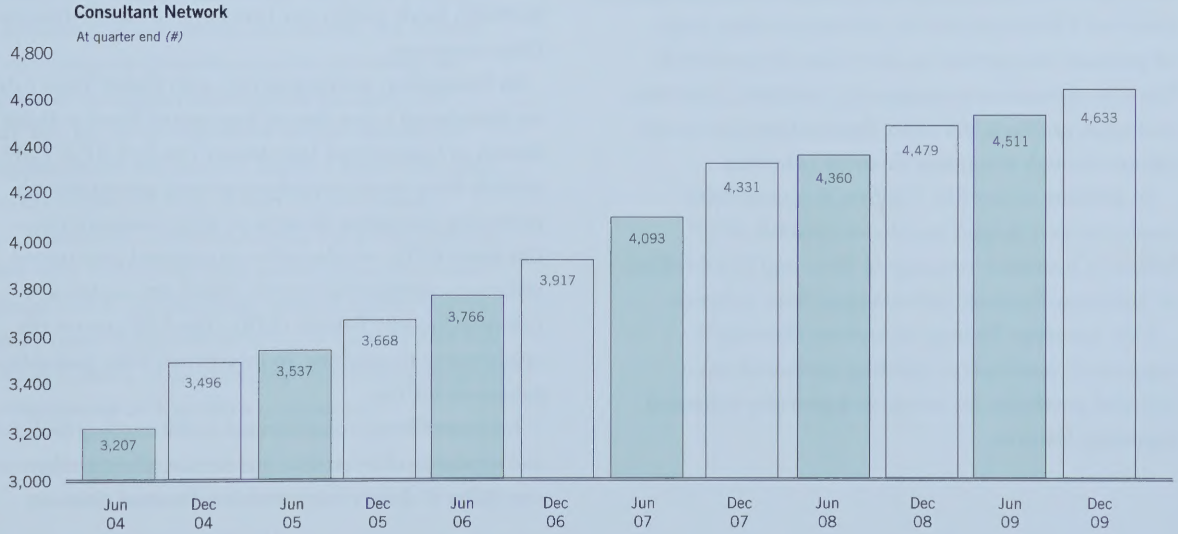
- Growth of the Consultant network continued through the year, increasing from 4,479 in 2008 to 4,633 Consultants at the end of 2009. With 22 continuous quarters of net growth since June 30, 2004, we have seen the longest period of consistent growth of the Consultant network in the history of Investors Group.
- Driven by the strength of our client relationships, the redemption rate for Investors Group's long-term mutual funds was 7.4% for 2009, substantially below industry levels.
- Mutual fund gross sales, consistent with industry trends, decreased by 15.2% in 2009 to $5.0 billion. Net sales of mutual funds were $404 million compared with $625 million in 2008.
- Assets under management, based on higher market values, increased by 21.4% to $57.7 billion at December 31, 2009.

REPORT ON OPERATIONS

In 2009, Investors Group continued to make progress in a number of key areas in the context of global financial markets hitting recent market lows followed by strong recovery in the second and third quarters of the year. Growth in the Consultant network, combined with stable redemption rates, is strong evidence of client and Consultant satisfaction with the calm and steady approach being taken to their long-term financial planning needs.

CONTINUED CONSULTANT NETWORK STRENGTH

During 2009, we announced two new region offices bringing our expansion since mid-2004 to 28 new region offices, an increase of 42%. During 2003 and early 2004 we introduced many improvements to our training and support programs. Since then, the Consultant network has expanded by 44% from 3,207 to 4,633, our highest level in our history, at December 31, 2009.



The company's commitment to training and support is integral to our Consultants' ability to deliver effective financial advice in an increasingly complex and volatile market. New Consultants refine their skills through an emphasis on experience-based training delivered by experienced field leadership and mentorship from successful senior Consultants. Investors Group's annual APEX conference offers advanced financial planning and practice management training to over 1,300 Consultants each year.

Our culture provides Consultants with an entrepreneurial environment and unique support structure to deliver personalized service and knowledgeable advice to our clients.

PRODUCTS FOR AN EVOLVING MARKETPLACE

The financial planning needs of Canadians are growing as economic uncertainties are more apparent and retirement and lifestyle decisions become more complex. Investors Group provides an industry-leading range of products and services to meet these diverse needs. We offer investment management, insurance, securities, mortgage products and other financial services to our clients through integrated financial planning.

In addition to our $57.7 billion in mutual fund assets, we have helped our clients establish $52.2 billion in insurance coverage in force and $10.8 billion in Solutions Banking† and mortgage loan balances.

Our *Symphony Strategic Investment Planning*™ supports Consultants in building optimized risk-adjusted portfolios for clients and provides enhanced reporting features.

The Investors Group Charitable Giving Program is one of the few of its kind in Canada which can be used by our clients to build an enduring charitable giving legacy while receiving tax benefits today.

Investors Group was one of the first mutual fund companies in Canada to offer the Tax-Free Savings Account (TFSA) to Canadians. The TFSA is an important component of a comprehensive financial plan, offering a highly flexible, tax-efficient way to save for retirement or other financial goals.

In July 2009, Investors Group introduced two new families of funds. Investors Cornerstone Portfolios™ include three different asset mixes of our Money Market Fund, Mortgage and Short Term Income Fund, and our Real Property Fund. Cornerstone Portfolios provide low volatile funds for short-term needs and for future investment in equity funds through dollar cost averaging. As well, we introduced Allegro Corporate Class Portfolios™, tax-efficient portfolio funds within our Investors Group Corporate Class structure.

In November, working jointly with Great-West Life, we introduced a new line of Segregated Fund policies known as Guaranteed Investment Funds (GIFs). GIFs provide long-term investment growth potential with protective guarantee features to help minimize risk. On select GIFs, we also offer an optional guaranteed minimum withdrawal benefit, which we market as a Lifetime Income Benefit (LIB). The LIB creates the opportunity to combine an investment with guaranteed payments for life.

Investors Group's commitment to the ongoing evolution and expansion of its product and service offering enhances our ability to deliver comprehensive financial planning.

BUILDING COMMUNITIES

In 2009, Investors Group continued to support the communities in which our employees, Consultants, and clients live and work. Consultants and employees have also donated their time and expertise to hundreds of charitable organizations. Our spirit of volunteerism has been strong and continues to be recognized throughout the country.

In June of 2009, Investors Group was pleased to present the sixth annual Herbert H. Carnegie Community Service Award to Bruce Morrison. The award is named after Order of Canada recipient and former Investors Group Consultant Herbert Carnegie, who in his 35 years with the company, came to epitomize the qualities of success and care for others in the community. Bruce was honoured for his many commitments to his community of Nelson, British Columbia, where he led the establishment of a local endowment fund, the Osprey Community Foundation, and assisted the Nelson Committee on Homelessness in addressing the needs of homeless individuals in the area. He has also sat on the boards of various non-profit organizations and has just begun a three-year term on the Selkirk College Board of Governors.

Corporately, Investors Group has a long association with the United Way and its support of local campaigns in communities across Canada. We are also a major supporter of Imagine Canada and Volunteer Canada in encouraging charitable giving and volunteerism by Canadian companies.

In December at the Canadian Investment Awards (CIA), Investors Group was awarded the CIA Corporate Citizenship Award recognizing our outstanding contribution to community and overall reputation as a responsible corporate citizen. Investors Group's long-standing commitment to corporate citizenship is rooted in the strong, enduring relationships we have developed with people in our communities.

BUILDING ON STRENGTH

Investors Group continues to focus on its strengths as building blocks for the future. In 2009, the Consultant network growth, the active engagement of over 1,500 employees, increased communication in response to the global financial situation, the continual refinement of financial planning, and the expanding product and service offerings demonstrate the company's commitment to meet the evolving financial needs of Canadians.

Mackenzie INVESTMENTS*

MACKENZIE FINANCIAL CORPORATION

Mackenzie provides investment advisory services utilizing proprietary investment research and experienced investment professionals. We distribute our services through multiple distribution channels focused on the provision of independent financial planning through a wide range of investment solutions to meet investor needs.

Charles R. Sims
President and Chief Executive Officer
Mackenzie Financial Corporation

HIGHLIGHTS

- Total sales for the company were $11.6 billion versus $12.3 billion in 2008, a decrease of 5.3%.
- As of December 31, 2009, total assets under management were $63.6 billion, up 16.3% from the prior year-end. Institutional, sub-advised, and other assets under management increased to $23.0 billion, up 21.8% from the prior year. Average assets under management were $57.6 billion, down 3.6% from the prior year.
- Mackenzie broadened its investment choices for Canadians by adding several new funds in the fixed income category and created a line of All-Canadian fund offerings.

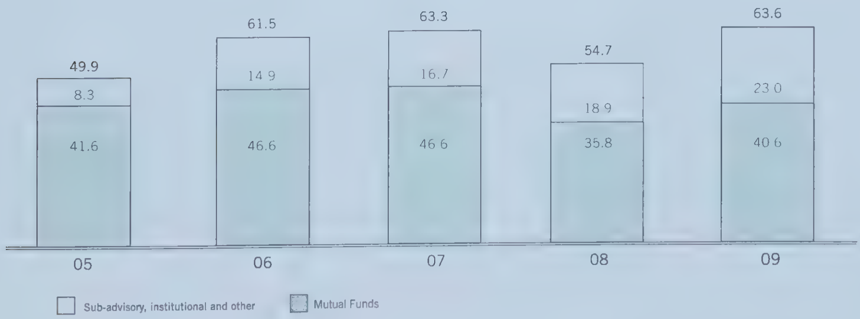
REPORT ON OPERATIONS

In 2009, Mackenzie and its subsidiaries continued to focus on business growth, product innovation, client effectiveness, strategic partnerships and employee development. In January, we completed the legal entity amalgamation with Saxon Funds Management Ltd. and Mackenzie became the manager of the Saxon funds.

Our product lineup evolved again this year with many changes to increase portfolio manager flexibility, to add additional options for investors looking for fixed income and pure Canadian offerings and to simplify the lineup for advisors and investors.

We remained focused on the effectiveness of our service capabilities within the different lines of the business. In September, Mackenzie formed Mackenzie Global Advisors, a new division within the organization to centralize sales and client service and focus on the institutional investment marketplace.

Total Assets under Management
As at December 31 *($ billions)*



The quality and depth of investment research, and the experience of Mackenzie's portfolio managers and sub-advisors have all contributed to the company's ability to provide clients with high-quality investment products.

INVESTMENT MANAGEMENT

Under the Mackenzie master brand, we deploy a sub-branding strategy that includes the Cundill*, Ivy*, Maxxum*, Sentinel*, Focus*, Saxon*, and Universal* sub-brands, to highlight the diverse investment styles and objectives offered within our diversified product lineup. We also provide asset allocation, target-date, and target-risk solutions through the Keystone*, Symmetry*, and Mackenzie Destination Fund(s)* sub-brands. The quality and depth of investment research, and the talent of Mackenzie's portfolio managers and sub-advisors have all contributed to our ability to provide clients with consistent long-term investment performance results. Eighty percent of Mackenzie fund assets were rated 3, 4 or 5 Star by Morningstar as of December 31, 2009.

DISTRIBUTION

The strength of Mackenzie's retail distribution network is built on our long-standing and expanding relationships with financial advisors and representatives across the breadth of our distribution channels. These relationships allow the company's products to be efficiently distributed through retail brokers, financial advisors, insurance agents, banks, and financial institutions, giving the company one of the broadest retail distribution platforms of any investment company in Canada. We expanded our sub-advised, institutional and high net worth businesses with the addition of the Saxon entities. In September, Mackenzie announced the alignment of its institutional businesses into Mackenzie Global Advisors bringing together Cundill Investment Research Ltd. and Howson Tattersall Investment Counsel with the investment brands of Maxxum, Universal, Ivy and Sentinel to offer an extensive range of investment strategies to meet the diverse investment objectives of pension plan sponsors, foundations, trusts and other institutional investors.

SERVICE

We are committed to consistently deliver high-quality service to our clients, while striving to improve both the level of service and cost efficiency.

Mackenzie products are distributed widely through the financial advice channel and the company is proud of the partnership it has established with financial advisors over its history. Through the dedicated efforts of our employees, these relationships continue to grow as Mackenzie now reaches more than 30,000 advisors and 1.4 million investors across Canada. In addition to the timely and accurate reporting of fund performance and account activity, company representatives regularly meet with advisors to gain insight and assist advisors in delivering investment products that help clients reach their financial goals. Coming out of the recession, Mackenzie communicated regularly with important

informational updates and educational tools to help advisors keep their clients on track with their financial plans. Advisors benefit from ongoing education programs through Mackenzie University, which delivers leading business management and product training programs.

PRODUCT FOCUS

Our product lineup continued to evolve, with new initiatives focused primarily in the fixed income and Canadian equity areas. Three new fixed income funds were introduced: Mackenzie Sentinel Short-Term Government Bond Fund, Mackenzie Sentinel North American Corporate Bond Class, and Mackenzie Sentinel Strategic Income Class. Mackenzie also introduced the Mackenzie All-Sector Canadian Equity Fund and launched the Mackenzie Saxon family of mutual funds for investors working through an advisor.

In November, The Canadian Shield Fund completed a $127 million initial public offering. The fund aims to generate superior risk-adjusted absolute returns in Canadian dollars and to preserve the Fund's capital in all market environments.

INVESTING IN COMMUNITIES

Mackenzie's commitment to quality and excellence extends to community involvement and is focused in three areas: the Mackenzie Charitable Giving Fund*, corporate philanthropy, and employee volunteerism through the Mackenzie Financial Charitable Foundation, a registered charity managed by Mackenzie employee volunteers.

The company is dedicated to providing clients with high-quality, innovative investment solutions and strives to maintain strong long-term investment performance across its multiple product offerings. We are proud of our track record, our people and our business.

Investment Planning Counsel™
FINANCIAL SOLUTIONS FOR LIFE

INVESTMENT PLANNING COUNSEL INC.

Investment Planning Counsel is an integrated financial services company focused on providing Canadians with high-quality financial products, services, and advice, while helping them achieve their financial dreams. Investment Planning Counsel is dedicated to providing independent financial planners with the tools, products, and support they need to build a better business.

Investment Planning Counsel is one of the largest financial planning organizations in Canada. From its inception in 1996 through 2009, it has continued to evolve and adapt to meet the needs and expectations of its clients and advisors.

HIGHLIGHTS

- In 2009, Investment Planning Counsel saw assets under administration increase from \$10.3 billion to \$12.4 billion, an increase of 19.5%.
- Assets under management in the Counsel Funds increased from \$1.7 billion to \$2.1 billion in 2009, an increase of 23.0%.
- Investment Planning Counsel partners with over 650 advisors across the country and continues to attract advisors into its business model.

STRENGTH IN PARTNERSHIP

The relationship between IGM Financial and Investment Planning Counsel provides a solid foundation for growth and excellence. The scale, strength, and expertise of IGM Financial allows Investment Planning Counsel to improve operational efficiencies in various processes such as compliance and back-office infrastructure. The relationship enables the company to provide its advisors with a strong and stable operating environment, thereby allowing them to build a better business, while providing enhanced client service.

In addition to investment management solutions, advisors have access to a suite of insurance, securities, and mortgage products. The broad product offering gives advisors a range of financial products to service their clients' evolving needs.

BUILDING FOR THE FUTURE

Investment Planning Counsel continues to improve its product and service offering for advisors and clients. With ongoing improvements to its business fundamentals, Investment Planning Counsel will continue to deliver value to advisors and clients, while building its reputation as a leading network of advisors.

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Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) for the years ended December 31, 2009 and 2008. Commentary in the MD&A as at and for the year ended December 31, 2009 is as of February 10, 2010.

Basis of Presentation and Summary of Accounting Policies

The Consolidated Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars (Note 1 of the Consolidated Financial Statements).

Principal Holders of Voting Shares

As at December 31, 2009, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (Lifeco), a subsidiary of PFC, held directly or indirectly 56.3% and 3.5%, respectively, of the outstanding common shares of IGM Financial.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial's current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Company's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates","seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the Company's, and its subsidiaries' control, affect the operations, performance and results of the Company, and its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes (including adoption of International Financial Reporting Standards), operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Company's business is provided in its disclosure materials filed with the securities regulatory authorities in Canada, available at www.sedar.com.

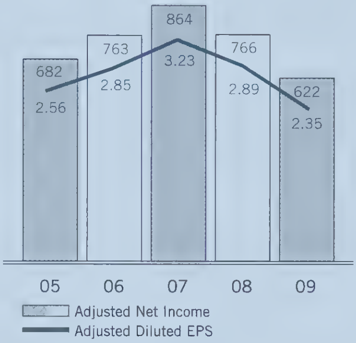
IGM Financial Inc.
Summary of Consolidated Operating Results

IGM Financial Inc. (TSX:IGM) is one of Canada's premier financial services companies addressing the financial needs of Canadians. The Company's principal businesses, Investors Group Inc. and Mackenzie Financial Corporation, each operate distinctly within the advice segment of the financial services market.

At December 31, 2009, total assets under management were $120.5 billion compared with $101.7 billion at December 31, 2008, an increase of 18.5%. Increases in total assets under management occurred primarily over the last three quarters of 2009 after significant declines in global stock markets throughout the latter part of 2008 and early 2009. As a result, average assets under management were lower in 2009 compared with 2008 resulting in a decline in adjusted net income for the year ended December 31, 2009. However, quarterly results improved throughout 2009.

Adjusted Net Income and Adjusted Diluted Earnings per Share

For the financial year *($ millions, except per share amounts)*



2006 and 2007 excluded a non-cash income tax benefit.

2008 excluded proportionate share of affiliate's impairment charge and affiliate's gain.

2009 excluded a non-cash charge on AFS equity securities, a non-cash income tax benefit and a premium paid on the redemption of preferred shares.

TABLE 1: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	2009		2008		2007	
($ millions)	NET INCOME	EPS	NET INCOME	EPS	NET INCOME	EPS
Adjusted net income – Non-GAAP measure	$ 621.9	$ 2.35	$ 766.1	$ 2.89	$ 863.8	$ 3.23
Non-cash charge on available for sale (AFS) equity securities, net of tax	(66.2)	(0.25)	–	–	–	–
Non-cash income tax benefit	17.8	0.07	–	–	15.3	0.06
Premium paid on redemption of preferred shares	(14.4)	(0.05)	–	–	–	–
Proportionate share of affiliate's impairment charge	–	–	(60.3)	(0.23)	–	–
Proportionate share of affiliate's gain	–	–	25.0	0.10	–	–
Net income – GAAP	$ 559.1	$ 2.12	$ 730.8	$ 2.76	$ 879.1	$ 3.29
EBITDA – Non-GAAP measure	$ 1,334.2		$ 1,518.1		$ 1,699.5	
Commission amortization	(303.7)		(319.3)		(332.2)	
Amortization of capital and intangible assets and other	(33.9)		(32.9)		(28.6)	
Interest expense on long-term debt and dividends on preferred shares	(126.0)		(107.2)		(104.9)	
Non-cash charge on AFS equity securities	(76.5)		–		–	
Premium paid on redemption of preferred shares	(14.4)		–		–	
Proportionate share of affiliate's impairment charge	–		(60.3)		–	
Proportionate share of affiliate's gain	–		25.0		–	
Income before income taxes	779.7		1,023.4		1,233.8	
Income taxes	(220.6)		(292.6)		(354.7)	
Net income – GAAP	$ 559.1		$ 730.8		$ 879.1	

Results for Investors Group and Mackenzie, the Company's reportable segments, are discussed in their respective Review of Segment Operating Results.

Adjusted net income for the year ended December 31, 2009 was $621.9 million compared to adjusted net income of $766.1 million in 2008, a decrease of 18.8%. Adjusted diluted earnings per share were $2.35 in 2009 compared to adjusted diluted earnings per share of $2.89 in 2008, a decrease of 18.7%.

Adjusted net income in 2009 excluded items recorded in the fourth quarter of 2009:

- A non-cash charge of $76.5 million ($66.2 million after tax) on available for sale (AFS) equity securities related to the market environment which was recorded in Net investment income and other in the Consolidated Statements of Income.
- A non-cash income tax benefit of $17.8 million resulting from decreases in Ontario corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001. There is no expectation that the future tax liability will become payable as the Company has no intention of disposing of these assets.
- A premium of $14.4 million paid on the redemption of the Series A preferred shares on December 31, 2009 which was recorded in Net investment income and other in the Consolidated Statements of Income.

Adjusted net income in 2008 excluded items related to the Company's equity interest in Great-West Lifeco Inc. which were recorded in Net investment income and other in the Consolidated Statements of Income:

- A $60.3 million charge recorded in the fourth quarter representing the Company's proportionate share of Great-West Lifeco Inc.'s after-tax impairment charge related to goodwill and indefinite life intangible assets.
- A $25.0 million gain recorded in the second quarter representing the Company's proportionate share of Great-West Lifeco Inc.'s after-tax gain related to the sale of its healthcare business, Great-West Healthcare.

Net income without adjustment for the year ended December 31, 2009 was $559.1 million compared to net income without adjustment of $730.8 million in 2008, a decrease of 23.5%. Diluted earnings per share on this basis were $2.12 in 2009 compared to $2.76 in 2008, a decrease of 23.2%.

Shareholders' equity was $4.4 billion as at December 31, 2009 compared to $4.1 billion as at December 31, 2008. Adjusted return on average common equity for the year ended December 31, 2009 was 14.8% compared with adjusted return on average common equity of 18.2% in 2008. The quarterly dividend per common share was 51.25 cents in 2009 unchanged from the end of 2008.

NON-GAAP FINANCIAL MEASURES

Adjusted net income, diluted earnings per share (EPS) and return on common equity (ROE) are non-GAAP financial measures which are used to provide management and investors with additional measures to assess earnings performance. These non-GAAP financial measures are not defined nor do they have standard meanings under GAAP and, as a result, are not necessarily comparable to similar measures used by other companies.

Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are also non-GAAP financial measures. EBIT and EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is discussed further in the Consolidated Liquidity and Capital Resources section later in this MD&A. These non-GAAP financial measures do not have standard meanings and are not directly comparable to any GAAP measure or to similar measures used by other companies.

The reconciliation of non-GAAP results to reported results in accordance with GAAP for net income and EPS, as discussed in the Summary of Operating Results, is provided in Table 1. The reconciliation of non-GAAP results to reported results in accordance with GAAP related to EBITDA and EBIT are provided in Tables 1 and 2, respectively.

REPORTABLE SEGMENTS

IGM Financial's reportable segments, which reflect the current organizational structure, are:

- Investors Group
- Mackenzie
- Corporate and Other

Management measures and evaluates the performance of these segments based on EBIT as shown in Table 2. Segment operations are discussed in the Review of Segment Operating Results sections of the MD&A for both Investors Group and Mackenzie.

The Corporate and Other segment includes net investment income earned on unallocated investments and other income, operating results for Investment Planning Counsel as well as inter-segment eliminations.

Earnings before interest and taxes for Corporate and Other were $21.6 million for the year ended December 31, 2009 compared to $36.4 million in 2008.

Net investment income on unallocated investments and other income decreased by $10.4 million in 2009 compared with 2008 primarily due to lower average interest rates during 2009. This decrease was offset in part by the reduction of $1.3 million in fair value adjustments related to the Company's holdings of non-bank-sponsored asset-backed commercial paper (ABCP) recorded in 2009 compared with 2008. The Company reduced the fair value of its holdings in non-bank-sponsored ABCP by $3.7 million in the first quarter of 2009 compared to $5.0 million in 2008 as discussed in Note 2 of the Consolidated Financial Statements. A charge of $6.5 million was recorded in the fourth quarter of 2009 related to a non-retail mutual fund product and, in the fourth quarter of 2008, there was a seed capital investment impairment charge of $7.5 million.

Earnings before interest and taxes related to Investment Planning Counsel were $4.4 million lower than 2008. The decline in earnings was attributable to lower average mutual fund assets under management, lower net distribution revenues, as well as lower net investment income on cash balances resulting from lower interest rates in 2009 compared with 2008.

Certain items reflected in Table 2 are not allocated to segments:

- *Interest expense* – Represents the interest expense on the remaining debt of $975.0 million issued pursuant to the Mackenzie acquisition, the debentures issued in April 2009 totalling $375.0 million and the interim bridge credit facility of $287.0 million related to the Saxon Financial Inc. (Saxon) acquisition repaid during the second quarter of 2009, as well as dividends paid on the preferred shares classified as liabilities. Interest expense totalled $89.2 million in 2009 compared with $69.9 million in 2008. Dividends paid on preferred shares were $20.7 million in both 2009 and 2008.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
($ millions)	2009	2008	2009	2008	2009	2008	2009	2008
Fee income	$ 1,337.8	$ 1,437.9	$ 794.6	$ 920.4	$ 117.7	$ 144.2	$ 2,250.1	$ 2,502.5
Net investment income and other	122.9	151.2	14.6	22.7	15.6	27.0	153.1	200.9
	1,460.7	1,589.1	809.2	943.1	133.3	171.2	2,403.2	2,703.4
Operating expenses								
Commissions	445.9	473.4	284.7	338.8	77.9	94.1	808.5	906.3
Non-commission	311.2	317.5	269.2	289.6	33.8	40.7	614.2	647.8
	757.1	790.9	553.9	628.4	111.7	134.8	1,422.7	1,554.1
Earnings before interest and taxes	$ 703.6	$ 798.2	$ 255.3	$ 314.7	$ 21.6	$ 36.4	980.5	1,149.3
Interest expense							(109.9)	(90.6)
Non-cash charge on AFS equity securities							(76.5)	–
Premium paid on redemption of preferred shares							(14.4)	–
Proportionate share of affiliate's impairment charge							–	(60.3)
Proportionate share of affiliate's gain							–	25.0
Income before income taxes							779.7	1,023.4
Income taxes							220.6	292.6
Net income – GAAP							$ 559.1	$ 730.8
Adjusted net income[(1)]							$ 621.9	$ 766.1

(1) Refer to Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

- *2009 Non-cash charge on AFS equity securities* – represents the non-cash other than temporary impairment (OTTI) charge of $76.5 million ($66.2 million after-tax) recorded in the fourth quarter of 2009 as a result of current market conditions and is discussed further in the Consolidated Financial Position and Financial Instruments sections of this MD&A and Notes 2 and 17 of the Consolidated Financial Statements.
- *2009 Premium paid on redemption of preferred shares* – represents the premium of $14.4 million paid on the $360 million Series A preferred shares which were redeemed on December 31, 2009.
- *2008 Proportionate share of affiliate's impairment charge* – In the fourth quarter of 2008, Putnam LLC, a subsidiary of Lifeco in the United States division, recorded a non-cash impairment charge on indefinite life intangibles and goodwill. In addition, Lifeco wrote off a future tax asset related to the intangible and goodwill impairment charge and recorded restructuring costs associated with Putnam LLC. The Company's proportionate share of the after-tax impairment charge and related expenses was $60.3 million.
- *2008 Proportionate share of affiliate's gain* – In the second quarter of 2008, the Company's affiliate, Lifeco, recorded an after-tax gain on the sale of its healthcare business, Great-West Healthcare. Lifeco reported the gain in Net income from discontinued operations in the Summary of Consolidated Operations included in Lifeco's Consolidated Financial Statements. The Company's proportionate share of the after-tax gain on the sale was $25.0 million.
- *Income taxes* – The effective income tax rate for the year ended December 31, 2009 compared with 2008 is shown in Table 3. The effective tax rate on adjusted net income was 28.7% in 2009 compared with 27.5% in 2008 primarily due to the change in the Other items line.

Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings, and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. Any changes in management's best estimates are reflected in Other items, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

The effective tax rate on net income without adjustment was 28.3% in 2009 compared with 28.6% in 2008.

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 4.

Net Income and Earnings per Share – Table 1 of the MD&A shows the reconciliation of non-GAAP financial

TABLE 3: EFFECTIVE INCOME TAX RATE

	2009	2008
Income taxes at Canadian federal and provincial statutory rates	31.60%	32.37%
Effect of:		
Dividend income	(0.42)	(0.49)
Net capital gains and losses	(0.09)	(0.35)
Proportionate share of affiliate's earnings	(2.80)	(3.01)
Preferred dividends paid	0.84	0.67
Other items	(0.45)	(1.72)
Effective income tax rate – adjusted net income	28.68	27.47
Effect of rate changes on future income taxes related to indefinite life intangible assets	(2.28)	–
Non-cash charge on AFS equity securities	1.32	–
Premium paid on redemption of preferred shares	0.58	–
Proportionate share of affiliate's impairment charge	–	1.92
Proportionate share of affiliate's gain	–	(0.80)
Effective income tax rate – GAAP	28.30%	28.59%

TABLE 4: SELECTED ANNUAL INFORMATION

	2009	2008	2007
Consolidated statements of income *($ millions)*			
Fee income	$ 2,250.1	$ 2,502.5	$ 2,701.0
Net investment income and other	153.1	200.9	191.2
	2,403.2	2,703.4	2,892.2
Operating expenses	1,532.6	1,644.7	1,658.4
	870.6	1,058.7	1,233.8
Non-cash charge on AFS equity securities	(76.5)	–	–
Premium paid on redemption of preferred shares	(14.4)	–	–
Proportionate share of affiliate's impairment charge	–	(60.3)	–
Proportionate share of affiliate's gain	–	25.0	–
Income before income taxes	779.7	1,023.4	1,233.8
Income taxes	220.6	292.6	354.7
Net income – GAAP	$ 559.1	$ 730.8	$ 879.1
Adjusted net income(1)	$ 621.9	$ 766.1	$ 863.8
Earnings per share *($)*			
GAAP			
– Basic	$ 2.12	$ 2.78	$ 3.32
– Diluted	2.12	2.76	3.29
Adjusted(1)			
– Basic	2.36	2.91	3.26
– Diluted	2.35	2.89	3.23
Dividends per share *($)*			
Common	$ 2.05	$ 2.00	$ 1.78
Preferred	1.44	1.44	1.44
Average daily mutual fund assets *($ millions)*	$ 90,652	$ 99,903	$ 110,167
Total mutual fund assets under management *($ millions)*	$ 100,419	$ 85,025	$ 108,994
Total assets under management *($ millions)*	$ 120,545	$ 101,742	$ 122,982
Total corporate assets *($ millions)*	$ 8,646	$ 8,263	$ 7,859
Total long-term debt *($ millions)*	$ 1,575	$ 1,200	$ 1,200
Outstanding common shares *(thousands)*	262,633	262,365	264,193

(1) Refer to the Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

results to GAAP results for the three years. Except as noted in the reconciliation in Table 1, variations in net income and total revenues result primarily from changes in total mutual fund assets under management. During 2008, there were significant declines in global financial markets resulting in lower asset values particularly in the fourth quarter of 2008. Global financial markets continued to decline throughout much of the first quarter of 2009 resulting in further decreases in average mutual fund assets under management. While improving market conditions since March 2009 levels have resulted in significant increases in mutual fund assets under management as at December 31, 2009, average asset levels remain below those reported in 2008 and 2007 as shown in Table 4. Changes in the Company's total mutual fund assets under management during 2009 and 2008 were consistent with changes in mutual fund assets experienced by the Canadian mutual fund industry. The

impact on earnings and revenues of changes in mutual fund assets under management are discussed in the Review of Segment Operating Results sections of the MD&A for both Investors Group and Mackenzie.

Total assets under management at December 31, 2009 were $120.5 billion and included mutual fund assets under management totalling $100.4 billion. Net income in future periods will largely be determined by the level of mutual fund assets which will continue to be influenced by global market conditions.

Dividends per Common Share – Annual dividends per common share increased slightly in 2009 to $2.05 compared to $2.00 in 2008 and increased by 13% in 2008 and 16% in 2007.

SUMMARY OF QUARTERLY RESULTS

Financial information for the eight most recently completed quarters is shown in Table 5 and includes the reconciliation of non-GAAP financial measures to net income in accordance with GAAP as described in Table 1 in the Summary of Consolidated Operating Results.

Quarterly earnings are primarily dependent on the level of mutual fund assets under management. Declines in average daily mutual fund assets under management in the third and fourth quarters of 2008 and in the first quarter of 2009 resulted from declines in global financial markets. Improving market conditions in the most recent three quarters have resulted in increased levels of average assets under management and increased quarterly earnings. Average daily mutual fund assets under management by quarter are shown in Table 5.

Fourth Quarter 2009 Results

Adjusted net income for the three months ended December 31, 2009 was $176.5 million compared with adjusted net income of $140.1 million in 2008, an increase of 26.0%. A detailed discussion of Investors Group and Mackenzie segment operating results for the three months ended December 31, 2009 compared with the fourth quarter of 2008 and the third quarter of 2009 is contained in their respective sections of this MD&A.

TABLE 5: SUMMARY OF QUARTERLY RESULTS

	2009				2008			
	4	3	2	1	4	3	2	1
Consolidated statements of income *($ millions)*								
Fee and net investment income								
Management	449.7	432.1	399.4	365.4	396.3	477.0	503.3	490.6
Administration	88.3	88.6	86.9	82.3	84.2	88.1	89.4	87.5
Distribution	70.7	62.0	62.3	62.4	67.4	70.6	72.4	75.7
Net Investment income and other	25.0	40.0	39.1	49.0	36.0	49.0	55.5	60.4
Total fee and net investment income	633.7	622.7	587.7	559.1	583.9	684.7	720.6	714.2
Operating expenses								
Commission expense	213.5	205.4	197.3	192.3	206.4	230.0	234.8	235.0
Non-commission expense	148.7	148.7	158.2	158.6	162.6	155.4	162.5	167.4
Interest expense	29.3	29.1	28.6	22.9	24.4	22.2	22.0	22.0
Total operating expenses	391.5	383.2	384.1	373.8	393.4	407.6	419.3	424.4
	242.2	239.5	203.6	185.3	190.5	277.1	301.3	289.8
Non-cash charge on AFS equity securities	(76.5)	–	–	–	–	–	–	–
Premium paid on redemption of preferred shares	(14.4)	–	–	–	–	–	–	–
Proportionate share of affiliate's impairment charge	–	–	–	–	(60.3)	–	–	–
Proportionate share of affiliate's gain	–	–	–	–	–	–	25.0	–
Income before income taxes	151.3	239.5	203.6	185.3	130.2	277.1	326.3	289.8
Income taxes	37.6	72.1	59.1	51.8	50.4	78.4	85.2	78.6
Net income – GAAP	113.7	167.4	144.5	133.5	79.8	198.7	241.1	211.2
Reconciliation of non-GAAP financial measures(1) *($ millions)*								
Adjusted net income – non-GAAP measure	176.5	167.4	144.5	133.5	140.1	198.7	216.1	211.2
Non-cash charge on AFS equity securities, net of tax	(66.2)	–	–	–	–	–	–	–
Non-cash income tax benefit	17.8	–	–	–	–	–	–	–
Premium paid on redemption of preferred shares	(14.4)	–	–	–	–	–	–	–
Proportionate share of affiliate's impairment charge	–	–	–	–	(60.3)	–	–	–
Proportionate share of affiliate's gain	–	–	–	–	–	–	25.0	–
Net income – GAAP	113.7	167.4	144.5	133.5	79.8	198.7	241.1	211.2
Earnings per share *(¢)*								
GAAP								
– Basic	43	63	55	51	30	75	91	80
– Diluted	43	63	55	51	30	75	91	79
Adjusted(1)								
– Basic	67	63	55	51	53	75	82	80
– Diluted	67	63	55	51	53	75	81	79
Average daily mutual fund assets *($ billions)*	98.6	94.4	88.2	81.1	85.6	102.0	107.9	104.3
Total mutual fund assets under management *($ billions)*	100.4	98.4	91.6	81.9	85.0	98.0	104.8	105.3

(1) Refer to the Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

Investors Group
Review of the Business

Investors Group provides a broad range of financial and investment planning services to Canadians through its dedicated network of Consultants across the country.

Fee income is generated from the management, administration and distribution of Investors Group mutual funds.

Fee income is also earned from the distribution of insurance, securities and other financial services.

Additional revenue is derived from net investment income and other income, as discussed in the Review of Segment Operating Results.

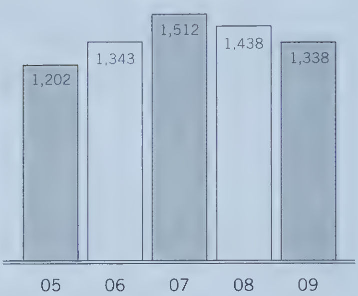
Revenues depend largely on the level and composition of mutual fund assets under management. Our comprehensive approach to financial planning, provided by our Consultants through the broad range of financial products and services offered by Investors Group, has resulted in strong mutual fund sales in a period of significant market volatility and an industry leading low mutual fund redemption rate. Mutual fund gross sales through our Consultant network were $5.0 billion in 2009. The redemption rate on long-term funds was 7.4% for the twelve months ending December 31, 2009, compared to 7.9% in 2008. Net sales were $404 million, down from $625 million in 2008.

INVESTORS GROUP STRATEGY

Investors Group strives to ensure that the interests of shareholders, clients, Consultants and employees are as closely aligned as possible. Investors Group's business strategy is focused on:

1. Growing our distribution network by attracting new Consultants to our industry and the retention and continued support of existing Consultants.
2. Emphasizing the delivery of financial planning advice, products and services through our dedicated network of Consultants, particularly during periods of market volatility.
3. Communicating actively with our Consultants and primarily through them to our clients during all economic cycles.
4. Extending the diversity and range of products offered by Investors Group as we continue to build and maintain enduring client relationships.
5. Maximizing returns on business investment by focusing resources on initiatives that have direct benefits to clients and Consultants, controlling expenditures, and becoming more efficient.

Fee Income –
Investors Group
For the financial year *($ millions)*



CONSULTANT NETWORK

Investors Group distinguishes itself from its competition by offering personal financial planning to its clients within the context of long-term relationships. At the centre of this relationship is a national distribution network of Consultants in 95 region offices across Canada which includes new region offices in Montreal and Charlottetown that were announced in 2009.

At the end of 2009, Investors Group had 4,633 Consultants, compared with 4,479 at the end of 2008. The number of Consultants with more than four years experience was 2,591 compared to 2,479 a year earlier. Our Consultant network has grown in each of the last twenty-two consecutive quarters, increasing by 1,426 Consultants or 44% since June 30, 2004.

Consultant Development

Investors Group combines a number of interview and testing techniques to identify individuals who demonstrate a blend of experience, education and aptitude that makes them well suited to becoming successful financial planners.

Each year our training curriculum is reviewed and refreshed to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers by attending a selection of focused educational programs including: financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics. This core training is supplemented by annual training conferences where education is tailored to both new and experienced Consultants.

In 2009 we introduced the first phase of a multi-year initiative to enhance our Consultant technology platform, bringing together Consultants' contact management and portfolio information for greater efficiency and productivity.

Field Management Development

As part of Investors Group's commitment to growth, we continued to focus on developing a strong and experienced leadership team across the country. In addition to increasing the number of individuals in field management roles, we also provided additional opportunities for Consultants considering a management role, management training and peer-to-peer coaching.

COMMUNICATING WITH CONSULTANTS AND CLIENTS

As a result of the significant market volatility experienced in the latter part of 2008 and throughout 2009, communications to Consultants and clients increased substantially. Consultants are provided with comprehensive information on the current market environment and key long-term investment considerations, as well as tools and resources to assist them in their communications with clients as well as prospective clients. Our Consultants, in turn, maintain a high degree of contact with our clients, continuing to reinforce the importance of long-term planning and a diversified investment portfolio.

ASSETS UNDER MANAGEMENT

The level of assets under management is influenced by three factors: sales, redemptions and net asset values of our funds. Changes in assets under management are reflected in Table 6.

2009 vs. 2008

For the fourth quarter ended December 31, 2009, sales of Investors Group mutual funds through its Consultant network were $1.4 billion, an increase of 11.3% from 2008. Mutual fund redemptions, which totalled $1.2 billion for the same period, increased 3.9% from 2008 levels. Investors Group's twelve month trailing redemption rate for long-term funds

TABLE 6: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

THREE MONTHS ENDED *($ millions)*	2009 Dec. 31	2009 Sep. 30	2008 Dec. 31	% CHANGE 2009 Sep. 30	% CHANGE 2008 Dec. 31
Sales	$ 1,376.0	$ 1,134.2	$ 1,236.5	21.3 %	11.3 %
Redemptions	1,222.1	1,098.4	1,176.1	11.3	3.9
Net sales	153.9	35.8	60.4	N/M	154.8
Market and income	941.2	4,026.0	(6,874.8)	(76.6)	N/M
Net change in assets	1,095.1	4,061.8	(6,814.4)	(73.0)	N/M
Beginning assets	56,559.9	52,498.1	54,305.5	7.7	4.2
Ending assets	$ 57,655.0	$ 56,559.9	$ 47,491.1	1.9 %	21.4 %
Average daily assets	$ 56,549.8	$ 54,222.7	$ 48,019.2	4.3 %	17.8 %

TWELVE MONTHS ENDED *($ millions)*	2009 Dec. 31	2008 Dec. 31	% CHANGE
Sales	$ 5,041.9	$ 5,945.7	(15.2)%
Redemptions	4,637.7	5,320.4	(12.8)
Net sales	404.2	625.3	(35.4)
Market and income	9,759.7	(13,328.1)	N/M
Net change in assets	10,163.9	(12,702.8)	N/M
Beginning assets	47,491.1	60,193.9	(21.1)
Ending assets	$ 57,655.0	$ 47,491.1	21.4 %
Average daily assets	$ 51,766.1	$ 55,846.1	(7.3)%

was 7.4% at December 31, 2009 compared to 7.9% at December 31, 2008, and remains well below the corresponding average redemption rate of approximately 15.1% for all other members of the Investment Funds Institute of Canada (IFIC) at December 31, 2009. Net sales of Investors Group mutual funds for the fourth quarter of 2009 were $154 million compared with net sales of $60 million in 2008. Sales of long-term funds were $1.2 billion for the fourth quarter of 2009, compared with $913 million in 2008. Net sales of long-term funds for the fourth quarter of 2009 were $151 million compared to net sales of $21 million in 2008.

For the year ended December 31, 2009, sales of Investors Group mutual funds through its Consultant network were $5.0 billion, a decrease of 15.2% from 2008. Mutual fund redemptions, which totalled $4.6 billion for the same period, decreased 12.8% from 2008 levels. Net sales of Investors Group mutual funds were $404 million in 2009 compared with net sales of $625 million in 2008, a decrease of 35.4%. Sales of long-term funds were $4.1 billion in 2009, compared with $4.6 billion in 2008, a decrease of 11.0%. Net sales of long-term funds were $394 million compared to net sales of $274 million in 2008, an increase of 44.0%.

Investors Group's mutual fund assets under management were $57.7 billion at December 31, 2009, as shown in Table 6. The increase in mutual fund assets for the three and twelve month periods ended December 31, 2009 of $1.1 and $10.2 billion, respectively, was primarily due to market appreciation resulting from improvements in global stock markets during 2009.

Q4 2009 vs. Q3 2009

The changes in assets under management in the fourth quarter of 2009 compared with the third quarter of 2009 are reflected in Table 6.

For the fourth quarter ended December 31, 2009, sales of Investors Group mutual funds through its Consultant network were $1.4 billion, an increase of 21.3% from the third quarter of 2009. Mutual fund redemptions, which totalled $1.2 billion for the same period, increased 11.3% from the previous quarter. The annualized quarterly redemption rate for long-term funds for the quarter ended December 31, 2009 was 7.5% compared to 6.6% in the third quarter of 2009. Net sales of Investors Group mutual funds for the current quarter were $154 million compared with net sales of $36 million in the previous quarter. Sales of long-term funds were $1.2 billion for the current quarter, compared with $945 million in the previous quarter. Net sales of long-term funds for the current quarter were $151 million compared to net sales of $76 million in the previous quarter.

Investors Group's mutual fund assets under management were $57.7 billion at December 31, 2009, as shown in Table 6. The increase in mutual fund assets for the fourth quarter of 2009 of $1.1 billion was primarily due to net market appreciation resulting from improvements in global stock markets during the fourth quarter of 2009.

PRODUCTS AND SERVICES

Investors Group is regarded as a leader in personal financial planning in Canada. Consultants recommend balanced, diversified and professionally managed portfolios that reflect the client's goals, preferences and risk tolerance. They also look beyond investments to offer clients access to insurance, mortgages and other financial services.

PFP – Personal Financial Planner

Investors Group's Personal Financial Planner (PFP) software handles a wide range of potential financial planning needs – from projections and illustrations for basic financial planning concepts to the preparation of written financial plans which integrate all disciplines of financial planning, including investment, tax, retirement, education, risk management and estate planning.

Symphony Strategic Investment Planning™ Program

Symphony is Investors Group's approach to strategic investment planning. The Symphony program is designed to provide a scientifically constructed investment portfolio, consistent with the client's investment objectives and suited to their risk profile.

New enhancements were incorporated into the Symphony program in 2009. Consultants can now access the program through a simplified on-line approach that also offers Consultants and clients greater opportunities to customize their portfolios.

Charitable Giving Program

The Investors Group Charitable Giving Program is a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

Tax Free Savings Account

Investors Group, along with Mackenzie, was one of the first mutual fund companies in Canada to offer the TFSA to Canadians at the beginning of 2009. This new investment vehicle is an important component of a comprehensive financial plan, offering a highly flexible, tax-efficient way to save for retirement or other financial goals.

Mutual Funds

Investors Group had $57.7 billion in mutual fund assets under management at December 31, 2009 in 154 mutual funds covering a broad range of investment mandates. This compared with $47.5 billion in 2008, an increase of 21.4%.

Through our own international team of investment professionals and relationships with external investment advisors, we provide clients with access to a wide range of investment advisory services. Clients can diversify their holdings across fund managers, asset categories, investment styles, geography, capitalization and sectors through portfolios customized to meet their objectives.

Investors Group funds are managed by I.G. Investment Management, our own multi-disciplinary team of investment professionals with offices and advisors in North America, Europe, and Asia. Our global connections, depth of research and use of information technology provide us with the investment management capabilities to offer our clients investment management expertise suitable for the widest range of investment objectives. Investors Group also offers a range of partner funds through advisory relationships with other investment management firms and oversees these external investment advisors to ensure that their activities are consistent with Investors Group's investment philosophy and with the investment objectives and strategies of the funds that they advise. These advisory relationships include investment managers such as AGF Funds Inc., Beutel, Goodman & Company, Ltd., Bissett Investment Management, Camlin Asset Management Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp., Goldman Sachs Asset Management, L.P., LaSalle Investment Management (Securities), L.P., Mackenzie Financial Corporation, and Putnam Investments Inc.

At December 31, 2009, 72% of Investors Group mutual funds (Investors, partner and portfolio funds) had a rating of three stars or better from the Morningstar† fund ranking service and 33% had a rating of four or five stars. This compared to the Morningstar† universe of 69% for three stars or better and 32% for four and five star funds at December 31, 2009. Morningstar† Ratings are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

Investors Group continues to enhance the performance, scope and diversity of our investment offering with the introduction of new funds that are well-suited to the long-term diverse needs of Canadian investors. During July 2009 Investors Group launched several new products:

- Three fixed income portfolios – Investors Cornerstone I, Investors Cornerstone II and Investors Cornerstone III.
- Five Corporate Class portfolios – Allegro Balanced Portfolio Class, Allegro Balanced Growth Portfolio Class, Allegro Balanced Growth Canada Focus Portfolio Class, Allegro Growth Portfolio Class, and Allegro Growth Canada Focus Portfolio Class.
- Two new funds – Investors International Equity Fund and its Corporate Class.

Managed Asset and Multi-Manager Investment Programs

Investors Group Corporate Class Inc. is a broad tax advantaged fund structure which features the ability to switch on a fee-free basis among 55 funds within the group of funds with no immediate tax consequences. The funds include 32 funds advised by I.G. Investment Management, 18 funds advised by external investment advisors and five Corporate Class portfolios. At the end of 2009, the Corporate Class funds totalled $3.1 billion in assets compared with $2.1 billion in 2008.

Investors Group provides clients with access to a growing selection of asset allocation opportunities which include:

- **Allegro Portfolios™:** The seven Allegro Portfolios provide a single step investment solution offering geographic, investment style, asset class, and investment advisor diversification based on Symphony asset allocation recommendations. Fund assets were $3.0 billion as of December 31, 2009 compared with $2.4 billion in the previous year.
- **Allegro Portfolio Classes:** The five newly launched portfolio classes offer clients a single-step, tax efficient approach for their investments. The series T option further benefits investors with monthly tax-deferred distributions in the form of return of capital. These diversified portfolios have something to offer for each category of the risk/return spectrum. Fund assets were $99 million as of December 31, 2009.

- **Alto Portfolios™:** The Alto Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification based on Symphony asset allocation recommendations. The eleven portfolios include Investors Group funds and funds advised by Mackenzie. Assets in the portfolios were $2.3 billion as of December 31, 2009 compared with $1.7 billion in the previous year.
- **Investors Group Portfolios:** These funds have assets of $8.0 billion as at December 31, 2009, compared with $6.6 billion in the previous year. The program is comprised of eleven funds which invest in 21 underlying Investors Group funds to provide a high level of diversification.
- ***i*Profile™:** This is a unique portfolio management program introduced in 2001 that is available for clients with assets over $250,000. *i*Profile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The program is advised by a select group of 10 global money management firms such as Philadelphia Investment Advisors, AMI Partners, JPMorgan Asset Management (Canada) Ltd., Jarislowsky Fraser Limited, Waddell & Reed, ING Investment Management Co. and I.G. Investment Management, Ltd. At the end of 2009, this program had $449 million in assets, compared with $420 million in the previous year.

Segregated Funds

Investors Group continues to be the sole distributor of 22 segregated funds issued by The Great-West Life Assurance Company (Great-West Life). These segregated funds provide our clients with death benefit guarantees and potential creditor protection. These segregated funds also provide protection from long-term market volatility by providing two levels of guarantees – 75% or 100% of the principal invested. The investment components of these segregated funds are managed by Investors Group.

In November 2009, Investors Group expanded its offering of Great-West Life segregated funds by launching a new line of segregated fund policies known as Guaranteed Investment Funds (GIFs). The GIF offering includes 14 segregated fund-of-fund portfolios and 6 segregated funds. These funds offer an enhanced selection of death benefit and maturity guarantees and also include a new Lifetime Income Benefit (LIB) protection feature on select GIFs.

Insurance

Investors Group continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, Investors Group offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

- The Canada Life Assurance Company
- The Great-West Life Assurance Company
- Sun Life Assurance Company of Canada
- The Manufacturers Life Insurance Company

Sales of insurance products as measured by new annualized premiums were $49 million, an increase of 3.5% over $48 million in 2008. Total face amount of insurance in force in 2009 was $52.2 billion. The average number of policies sold by each insurance licensed Consultant was 8.6 in 2009 compared with 8.5 in 2008. Distribution of insurance products is enhanced through the Company's insurance specialists throughout Canada who assist Consultants with the selection of insurance solutions.

Securities Operations

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing securities services to clients seeking a broader product offering in combination with financial and investment planning. Investors Group Consultants can refer clients to one of our securities specialists available through Investors Group Securities Inc.

At December 31, 2009, total assets under administration were $5.6 billion. The assets gathered during 2009 were $1.1 billion, compared to $1.3 billion in 2008.

In 2009, we continued to evolve the service we developed to accommodate individual stocks and bonds owned by our clients within their financial plan. This involved further investment in our systems and the addition of a number of securities specialists who work alongside our Consultants and are licensed to advise on individual securities. In addition, a few of our Consultants transitioned their registration to the Investment Industry Regulatory Organization of Canada (IIROC) but remain within our region offices and continue to operate in our established business model of a managed asset focus delivered within a financial planning context.

Mortgage Operations

Clients who are seeking residential mortgages are referred to Investors Group mortgage planning specialists who originate mortgages in key residential markets.

In 2009, Investors Group continued to offer a competitively priced mortgage offering, which was well received by Consultants and clients. Mortgage originations were $1.2 billion, compared to $1.1 billion in 2008. At December 31, 2009, mortgages serviced by Investors Group totalled $7.3 billion compared to $6.9 billion at the end of 2008.

Through its mortgage banking operations, residential mortgages are funded through sales to the Investors Mortgage and Short Term Income Fund, securitization programs, and institutional investors. The Company is a CMHC-approved issuer of National Housing Act Mortgage-Backed Securities (NHA MBS) and seller of NHA MBS into the Canada Mortgage Bond Program (CMB Program). Securitization programs the firm participates in also include certain bank-sponsored asset-backed commercial paper programs. Residential mortgages are also held by Investors Group's intermediary operations.

Solutions Banking†

Investors Group's Solutions Banking† initiative continues to experience high rates of utilization by Consultants and clients. The offering consists of a wide range of products and services provided by the National Bank of Canada under a long-term distribution agreement and includes: investment loans, lines of credit, personal loans, creditor insurance, deposit accounts and credit cards. Clients have access to a network of banking machines, as well as a private labeled client website and private labeled client service centre. The Solutions Banking† offering supports Investors Group's approach to delivering total financial solutions for our clients via a broad financial planning platform.

Additional Products and Services

Investors Group also provides its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd., as well as a number of other financial institutions.

Review of Segment Operating Results

Investors Group's earnings from operations before interest and taxes are presented in Table 7.

2009 VS. 2008

Fee Income

Fee income is generated from the management, administration and distribution of Investors Group mutual funds. The distribution of insurance and Solutions Banking† products and the provision of securities services provide additional fee income.

Investors Group earns management fees for investment management services provided to its mutual funds, which depend largely on the level and composition of mutual fund assets under management. Management fees were $271.0 million in the fourth quarter of 2009, an increase of $40.6 million or 17.6% from $230.4 million in 2008 due to the increase of 17.8% in average daily mutual fund assets as shown in Table 6. During the year ended December 31, 2009, management fees were $981.3 million, a decrease of $96.4 million or 8.9% from $1.1 billion in 2008

TABLE 7: OPERATING RESULTS – INVESTORS GROUP

THREE MONTHS ENDED *($ millions)*	2009 DEC. 31	2009 SEP. 30	2008 DEC. 31	% CHANGE 2009 SEP. 30	% CHANGE 2008 DEC. 31
Fee and net investment income					
Management	$ 271.0	$ 258.7	$ 230.4	4.8 %	17.6 %
Administration	54.2	53.2	49.8	1.9	8.8
Distribution	42.4	35.8	37.4	18.4	13.4
	367.6	347.7	317.6	5.7	15.7
Net investment income and other	23.1	30.2	29.9	(23.5)	(22.7)
	390.7	377.9	347.5	3.4	12.4
Operating expenses					
Commissions	66.7	64.0	65.2	4.2	2.3
Asset retention bonus and premium	49.7	48.8	51.0	1.8	(2.5)
Non-commission	75.7	74.7	82.0	1.3	(7.7)
	192.1	187.5	198.2	2.5	(3.1)
Earnings before interest and taxes	$ 198.6	$ 190.4	$ 149.3	4.3 %	33.0 %

TWELVE MONTHS ENDED *($ millions)*	2009 DEC. 31	2008 DEC. 31	% CHANGE
Fee and net investment income			
Management	$ 981.3	$ 1,077.7	(8.9)%
Administration	206.6	210.7	(1.9)
Distribution	149.9	149.5	0.3
	1,337.8	1,437.9	(7.0)
Net investment income and other	122.9	151.2	(18.7)
	1,460.7	1,589.1	(8.1)
Operating expenses			
Commissions	256.4	246.8	3.9
Asset retention bonus and premium	189.5	226.6	(16.4)
Non-commission	311.2	317.5	(2.0)
	757.1	790.9	(4.3)
Earnings before interest and taxes	$ 703.6	$ 798.2	(11.9)%

primarily due to the decrease of 7.3% in average daily mutual fund assets. For both the three and twelve month periods ended December 31, 2009, management fees were 190 basis points of average daily mutual fund assets compared to 191 basis points for the three month period and 193 basis points for the twelve month period in 2008. Management fee income and average management fee rates for the three and twelve months ended December 31, 2009 also reflected the impact of Investors Group waiving a portion of the investment management fees on its money market funds to ensure that these funds maintained a positive yield. These waivers totalled $2.3 million and $6.8 million, respectively.

Investors Group receives administration fees for providing administrative services to its mutual funds and trusteeship services to its unit trust mutual funds. Administration fees totalled $54.2 million in the current quarter compared to $49.8 million a year ago. Administration fees were $206.6 million for the year ended December 31, 2009 compared to $210.7 million in 2008. Fee income in both periods under review were impacted by the change in average daily mutual fund assets under management in 2009 compared with 2008.

Effective October 1, 2007, Investors Group assumed responsibility for the applicable operating expenses of the funds, other than GST and certain specified fund costs, in return for a fixed rate administration fee established for each fund based on the following criteria:

- From October 1, 2007 until December 31, 2009, and thereafter as may be applicable, the funds that existed as at October 1, 2007 may be required to pay a monthly operating expense adjustment to Investors Group if the combined average monthly net assets for all funds and series that were subject to the administration fee proposal that was approved by investors on September 28, 2007 fall to a level that is 95% of the amount of their total net assets. If it becomes payable, Investors Group is entitled to receive an operating expense adjustment for that month from each of those funds and series in such amount that will result in all of those series, collectively, paying an administration fee for the month equal to the administration fee that would have been payable had the monthly net assets equaled 95% of the net assets on October 1, 2007 throughout the month.
- As the applicable mutual fund asset levels as at December 31, 2009 were below 95% of the net asset levels on October 1, 2007, the monthly operating expense adjustment continues until the first month where average asset levels exceed 95% of the net asset levels on October 1, 2007. If, in a subsequent month, the monthly net assets increase to an amount equal to or greater than 95% of the net assets on October 1, 2007, the operating expense adjustment will no longer be payable.

Due to the level of Investors Group's mutual fund assets, as a result of the volatility in the global stock markets, Investors Group was entitled to an operating expense adjustment. Included in administration fees for the three and twelve month periods ended December 31, 2009 were operating expense adjustments of $1.2 million and $13.5 million, respectively, compared to $5.0 million and $6.0 million for the three and twelve month periods in 2008.

Distribution fees are earned from:

- Redemption fees on mutual funds sold with a deferred sales charge.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking†, an arrangement with the National Bank of Canada.

Distribution fee income of $42.4 million for the fourth quarter of 2009 increased by $5.0 million from $37.4 million in 2008. For the twelve month period, distribution fees of $149.9 million increased marginally from $149.5 million in 2008. Increases in distribution fee income from banking and insurance products were partially offset by declines in revenue from securities products in both periods under review. Redemption fee income increased by $1.9 million to $10.8 million in the fourth quarter of 2009 compared to 2008 and decreased by $4.6 million to $39.6 million for the year ended December 31, 2009 compared with 2008. Redemption fee income may vary depending on the level of deferred sales charge attributable to fee-based redemptions.

Net Investment Income and Other

Net investment income and other includes interest earned on cash and cash equivalents, securities and mortgage loans. It also includes realized gains and losses on the sale of securities, Investors Group's proportionate share of earnings of Great-West Lifeco Inc. (Lifeco), as well as income related to mortgage banking activities. Investors Group reports net investment income as the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, bank indebtedness and debt incurred totalling $225.0 million to finance Investors Group's investment in Lifeco.

Net investment income and other decreased to $23.1 million in the fourth quarter of 2009 compared to $29.9 million in 2008 due to:

- The decrease in Lifeco's earnings as reflected in the Consolidated Financial Position section of this MD&A.
- The decrease in net revenues related to Investors Group mortgage banking operations primarily as a result of the decline in sales to securitization structures to $254.2 million in 2009 from $528.6 million in 2008.

Decreases in net investment income for the fourth quarter of 2009 were offset in part by net losses recorded in 2008 on the sale of securities which totalled $6.8 million. No gains or losses on the sales of securities were recorded in the fourth quarter of 2009.

Net investment income and other decreased to $122.9 million in the year ended December 31, 2009 compared to $151.2 million in 2008 due to:

- A decrease in net gains on the sale of securities which totalled $4.3 million in 2009 compared to $21.4 million in 2008.
- The decrease in Lifeco's earnings as reflected in the Consolidated Financial Position section of this MD&A.

Decreases in net investment income for the twelve month period were offset in part by the increase in net revenues related to Investors Group mortgage banking operations. During 2009, the spread between yields on asset-backed commercial paper (ABCP) and bankers' acceptances declined to traditional levels following the period of significant spreads which had prevailed since the disruption in the ABCP market during mid-2007. As discussed in the Market Risk section of this MD&A, Investors Group has basis risk (difference between ABCP yields and yields on bankers' acceptances) on its retained interest in mortgages sold to asset-backed securitization trusts. As a result of this decline in the spread between ABCP yields and bankers' acceptance yields during 2009, Investors Group recorded favourable non-cash fair value adjustments totalling $18.0 million on its retained interest receivable related to the Canadian bank-sponsored ABCP programs. This compares to unfavourable fair value adjustments totalling $2.8 million recorded in 2008 which related to widening of spreads between ABCP yields and bankers' acceptances and certain non-recurring changes in estimates.

Operating Expenses

Investors Group incurs commission expense in connection with the distribution of its mutual funds and other financial services and products. Commissions are paid on the sale of these products and fluctuate with the level of sales. Commissions paid on the sale of mutual funds are deferred and amortized over a period of six years. Commission expense for the fourth quarter of 2009 increased by $1.5 million to $66.7 million compared with $65.2 million in 2008. For the twelve month period ended December 31, 2009, commission expense increased by $9.6 million to $256.4 million compared with $246.8 million in 2008.

The asset retention bonus (ARB) and premium (ARP) expenses, which are based on the level of assets under management, are comprised of the following:

- ARB, which is paid monthly and is based on the value of assets under management. ARB expense increased by $0.9 million for the three month period to $42.3 million and decreased by $28.6 million for the twelve month period to $159.1 million primarily as a result of changes in average assets under management.
- ARP, which is a deferred component of compensation designed to promote Consultant retention and is based on assets under management at each year-end. ARP expense decreased by $2.2 million and $8.5 million in the three and twelve month periods ended December 31, 2009 to $7.4 million and $30.4 million, respectively, compared to 2008.

Non-commission expenses include costs incurred by Investors Group related to Consultant network support, the administration, marketing and management of its mutual funds and other products, as well as other operating expenses. Non-commission expenses were $75.7 million for the fourth quarter of 2009 compared to $82.0 million in 2008. For the twelve month period, non-commission expenses were $311.2 million compared to $317.5 million in 2008.

These results are consistent with Investors Group's strategy of maximizing returns on business investment that have direct benefits to clients and Consultants while controlling expenditures and increasing efficiencies as follows:

- Investors Group's Consultant network continued to grow throughout 2008 and 2009. As a result, expenses related to recruiting, training, field support and region office expansion increased in both the three and twelve months ended December 31, 2009 compared to the same periods in 2008.

- Increased communication with clients and Consultants during this period of market volatility resulted in increased expenditures in 2009 compared with 2008.
- Operating expenses, excluding those related directly to growth and support of the Consultant network, as noted above, declined in both the three and twelve months ended December 31, 2009 compared with 2008.

Q4 2009 VS. Q3 2009

Fee Income

Management fee income increased by $12.3 million or 4.8% to $271.0 million in the fourth quarter of 2009 compared with the third quarter of 2009 primarily due to the increase of 4.3% in average daily mutual fund assets as shown in Table 6. Management fee income was 190 basis points of average daily mutual fund assets compared to 189 basis points in the third quarter of 2009.

Administration fees increased to $54.2 million in the fourth quarter of 2009 from $53.2 million in the third quarter of 2009 primarily due to the increase in average daily mutual fund assets under management. Included in administration fees for the current quarter were fund operating expense adjustments of $1.2 million compared to $2.3 million in the third quarter of 2009.

Distribution fee income of $42.4 million in the fourth quarter of 2009 increased by $6.6 million from $35.8 million in the third quarter of 2009. The increase was primarily due to distribution fee income from insurance products and a $1.9 million increase in redemption fee income resulting from higher redemptions subject to deferred sales charges.

Net Investment Income and Other

Net investment income and other was $23.1 million in the fourth quarter of 2009, a decrease of $7.1 million from $30.2 million in the previous quarter primarily due to the decrease in net revenues related to Investors Group's mortgage banking operations. The third quarter of 2009 included a favourable non-cash fair value adjustment to the retained interest receivable related to the Canadian bank-sponsored securitization trusts totalling $5.9 million.

Operating Expenses

Commission expense in the current quarter increased by $2.7 million to $66.7 million compared with $64.0 million in the previous quarter. The increase in commission expense was due primarily to compensation directly related to higher sales of insurance products.

The asset retention bonus (ARB) expense increased by $1.1 million to $42.3 million due to the increase in average mutual fund assets under management.

Non-commission expenses increased $1.0 million to $75.7 million in the fourth quarter of 2009 compared with the third quarter of 2009. Operating expenses, excluding those directly related to growth and support of the Consultant network, increased marginally in the fourth quarter of 2009 compared to the third quarter.

Mackenzie
Review of the Business

Mackenzie's core business is the provision of investment advice and related services offered through diversified investment solutions, distributed through the multiple distribution channels focused on independent financial advice.

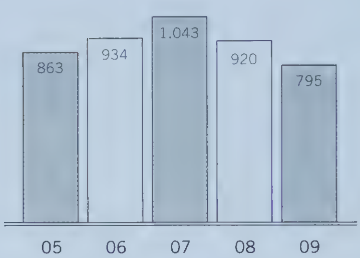
Mackenzie earns revenue primarily from:

- Management fees charged to its mutual funds, sub-advised accounts and institutional clients.
- Fees charged to its mutual funds for administrative services.
- Redemption fees on deferred sales charge and low load units.

Fee income is also earned from the administration of registered and open accounts at M.R.S. Inc. and through deposit, lending and related services at M.R.S. Trust Company.

Revenues depend largely on the value and composition of assets under management. Mackenzie's proprietary investment research and team of experienced investment professionals and sub-advisors across the multiple brands offered at Mackenzie contribute to delivering flexibility and diversification opportunities through our broad product offerings for our clients.

Fee Income – Mackenzie
For the financial year *($ millions)*



MACKENZIE STRATEGY

Mackenzie strives to ensure that the interests of shareholders, dealers, advisors, investment clients and employees are as closely aligned as possible. Mackenzie's business approach embraces current trends and practices in the global financial services industry and our strategic plan is focused on:

1. The delivery of consistent long-term investment results.
2. Offering a diversified suite of investment solutions for financial advisors and investors.
3. Continuing to build and solidify our distribution relationships.
4. Maximizing returns on business investment by focusing resources on initiatives that have direct benefits to investment management, distribution and client service.

Founded in 1967, Mackenzie continues to build an investment advisory business through proprietary investment research and portfolio management while utilizing strategic partners in a selected sub-advisory capacity. Our sales model focuses on multiple third party distribution channels engaged in the provision of financial advice to investors. This approach is particularly relevant in the current economic environment as investors look for assistance in positioning their financial plans for the near and long terms. We are committed to continuing to partner with the advice channel going forward.

Mackenzie distributes its investment products through third party financial advisors. Mackenzie's wholesale teams work with many of the more than 30,000 independent financial advisors across Canada. To support sales into institutional and specialty markets, Mackenzie also deploys specialty teams in high net worth, group plans, sub-advisory, structured products and institutional areas.

ASSETS UNDER MANAGEMENT

The changes in assets under management are summarized in Table 8.

2009 vs. 2008

Mackenzie's total assets under management at December 31, 2009 were $63.6 billion, an increase of 16.3% from $54.7 billion at December 31, 2008. Mackenzie's mutual fund assets under management were $40.6 billion at December 31, 2009, an increase of 13.4% from $35.8 billion at December 31, 2008. Mackenzie's sub-advisory, institutional and other accounts at December 31, 2009 were $23.0 billion, a 21.8% increase from $18.9 billion last year.

In the three months ended December 31, 2009, Mackenzie's gross sales were $3.0 billion, a decrease of 5.8% from $3.1 billion in the comparative period last year. Redemptions in the current period were $3.5 billion as compared to redemptions of $4.7 billion in 2008. Net redemptions for the three months ended December 31, 2009 were $0.5 billion, as compared to net redemptions of $1.5 billion last year. During the current quarter, market and income resulted in assets increasing by $2.1 billion as compared to a decrease of $8.6 billion in 2008.

TABLE 8: CHANGE IN ASSETS UNDER MANAGEMENT – MACKENZIE

THREE MONTHS ENDED ($ millions)	2009 DEC. 31	2009 SEP. 30	2008 DEC. 31	% CHANGE 2009 SEP. 30	% CHANGE 2008 DEC. 31
Sales	$ 2,951.0	$ 2,440.2	$ 3,131.8	20.9 %	(5.8) %
Redemptions	3,460.4	2,501.9	4,669.1	38.3	(25.9)
Net redemptions	(509.4)	(61.7)	(1,537.3)	N/M	66.9
Market and income	2,058.6	4,293.3	(8,578.2)	(52.1)	N/M
Net change in assets	1,549.2	4,231.6	(10,115.5)	(63.4)	N/M
Beginning assets	62,030.2	57,798.6	64,776.0	7.3	(4.2)
Ending assets	$ 63,579.4	$ 62,030.2	$ 54,660.5	2.5 %	16.3 %
Consists of:					
Mutual funds	$ 40,624.2	$ 39,854.2	$ 35,813.8	1.9 %	13.4 %
Sub-advisory, institutional and other accounts	22,955.2	22,176.0	18,846.7	3.5	21.8
	$ 63,579.4	$ 62,030.2	$ 54,660.5	2.5 %	16.3 %
Daily average mutual fund assets	$ 40,023.1	$ 38,244.7	$ 35,881.1	4.7 %	11.5 %
Monthly average total assets(1)	$ 62,490.9	$ 59,523.7	$ 56,106.6	5.0 %	11.4 %

TWELVE MONTHS ENDED ($ millions)	2009 DEC. 31	2008 DEC. 31	% CHANGE
Sales	$ 11,643.3	$ 12,294.7	(5.3)%
Redemptions	13,048.5	14,962.8	(12.8)
Net redemptions	(1,405.2)	(2,668.1)	47.3
Assets acquired(2)	–	12,430.2	N/M
Net new money	(1,405.2)	9,762.1	N/M
Market and income	10,324.1	(18,378.3)	N/M
Net change in assets	8,918.9	(8,616.2)	N/M
Beginning assets	54,660.5	63,276.7	(13.6)
Ending assets	$ 63,579.4	$ 54,660.5	16.3 %
Daily average mutual fund assets	$ 37,026.6	$ 42,040.7	(11.9)%
Monthly average total assets(1)	$ 57,643.4	$ 59,795.2	(3.6)%

(1) Based on daily average mutual fund assets and month-end average sub-advisory, institutional and other assets.

(2) On January 1, 2008, Mackenzie acquired the management contracts for the mutual fund assets of Putnam Investments Inc., which were distributed in Canada. On September 25, 2008, Mackenzie acquired Saxon Financial Inc. resulting in the addition of $12.2 billion of assets under management.

During the year ended December 31, 2009, Mackenzie's gross sales were $11.6 billion, a decrease of 5.3% from $12.3 billion last year. Redemptions in the current year were $13.0 billion as compared to redemptions of $15.0 billion in 2008. Net redemptions for the year ended December 31, 2009 were $1.4 billion, as compared to net redemptions of $2.7 billion last year. During 2009, market and income resulted in assets increasing by $10.3 billion as compared to a decrease of $18.4 billion in 2008.

Redemptions of long-term mutual funds in 2009 were $5.1 billion as compared to redemptions of $7.5 billion in 2008. As at December 31, 2009, Mackenzie's twelve-month trailing redemption rate for long-term funds was 14.6%, as compared to 18.7% last year. The average twelve-month trailing redemption rate for long-term

funds for all other members of IFIC decreased to approximately 14.2% at December 31, 2009 from 18.0% last year. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load units with redemption fees, and matured deferred sales charge units without redemption fees (matured units). Generally, redemption rates for front-end load units and matured units are higher than the redemption rates for deferred sales charge and low load units with redemption fees.

Q4 2009 vs. Q3 2009

Mackenzie's total assets under management at December 31, 2009 were $63.6 billion, an increase of 2.5% from $62.0 billion at September 30, 2009 as summarized in Table 8. Mackenzie's mutual fund assets under management increased $0.8 billion to $40.6 billion in the quarter and Mackenzie's sub-advisory, institutional and other accounts increased $0.8 billion to $23.0 billion at December 31, 2009.

Redemptions of long-term mutual fund assets in the current quarter were $1.5 billion as compared to $1.2 billion in the quarter ended September 30, 2009. Mackenzie's annualized quarterly redemption rate for long-term funds for the quarter ended December 31, 2009 was 15.9%, as compared to 13.0% in the third quarter of 2009.

INSTITUTIONAL AND SUB-ADVISORY BUSINESS

Mackenzie Global Advisors, a division of Mackenzie, was formed in 2009 to centralize sales and client service focus on the institutional investment marketplace. The acquisition of Cundill Investment Research Ltd. in 2006 and Howson Tattersall Investment Counsel Limited in 2008 added two highly respected investment teams to Mackenzie's existing institutional platform that included the investment brands of Maxxum, Universal, Ivy and Sentinel. By consolidating its sales and service for the institutional businesses through Mackenzie Global Advisors, it solidifies Mackenzie's client relationships on a single service platform and relationship model and allows clients increased flexibility and more selection of proven investment solutions.

INVESTMENT MANAGEMENT

Mackenzie's assets under management are diversified by investment objective as set out in Table 9. The development of a broad range of investment capabilities and products has proven to be, and continues to be, a key strength of the organization in satisfying the evolving financial needs of our clients.

The change in Mackenzie's assets under management is determined by: (1) the increase or decrease in the market value of the securities held in the portfolios of investments; (2) the level of sales as compared to the level of redemptions; and (3) acquisitions. Assets under management are subject to the risk of asset volatility resulting from changes in the bond and equity markets, including changes due to the recent volatility in global financial markets.

The financial markets declined in the latter part of 2008 and the first months of 2009. Coordinated efforts by the world's major governments and central banks resulted in stabilizing credit markets and helped to restore investor confidence that economic conditions would improve. Equity markets moved higher and credit costs declined through the final three quarters of the year.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At December 31, 2009, 38% of Mackenzie's mutual funds were rated in the top two performance quartiles for the one year time frame, 66% for the three year time frame and 55% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar† fund ranking service. At December 31, 2009, 80% of Mackenzie's mutual fund assets measured by Morningstar† had a rating of three stars or better and 48% had a rating of four or five stars.

PRODUCTS

Mackenzie continued its tradition of innovation in 2009, providing additional investment solutions and new services for financial advisors to offer their clients. Significant developments and new products launched this year included the following:

- ***February***
  Launched a retail series of nine Saxon Mutual Funds, allowing these funds to be sold by independent advisors across Canada.
- ***May***
  Completed the initial public offering of MSP* 2009 Resource Limited Partnership.
- ***June***
  Launched the Mackenzie Sentinel Short-Term Government Bond Fund, a fund that invests primarily in a diversified portfolio of short-term government bonds.

TABLE 9: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

($ millions)	2009		2008	
Equity				
Domestic	$ 17,804.5	28.0%	$ 14,509.8	26.5%
Foreign	21,595.1	34.0	18,121.8	33.2
	39,399.6	62.0	32,631.6	59.7
Balanced				
Domestic	8,466.6	13.3	7,710.6	14.1
Foreign	1,868.9	2.9	1,920.9	3.5
	10,335.5	16.2	9,631.5	17.6
Fixed Income				
Domestic	10,694.0	16.8	7,907.5	14.5
Foreign	70.0	0.1	52.8	0.1
	10,764.0	16.9	7,960.3	14.6
Money Market				
Domestic	3,043.4	4.8	4,277.0	7.8
Foreign	36.9	0.1	160.1	0.3
	3,080.3	4.9	4,437.1	8.1
Total	$ 63,579.4	100.0%	$ 54,660.5	100.0%

Launched the Mackenzie Sentinel North American Corporate Bond Class and the Mackenzie Sentinel Registered North American Corporate Bond Fund. The mandate of both funds is to provide investors with the returns of a high-yield fixed income fund. The Mackenzie Sentinel North American Corporate Bond Class is suitable for non-registered investment accounts and the Mackenzie Sentinel North American Bond Fund is only available for purchase in registered accounts.

- ***September***
  Introduced several all-Canadian equity mandates. The investment strategies of Mackenzie Universal Canadian Growth Class, Mackenzie Maxxum Canadian Equity Growth Class and Mackenzie Ivy Canadian Class were modified such that the funds invest primarily in Canadian equities. The funds were renamed as follows: Mackenzie Universal All-Canadian Growth Class; Mackenzie Maxxum All-Canadian Equity Class; and Mackenzie Ivy All-Canadian Class.
- ***October***
  Changed the investment objectives of the Mackenzie Sentinel Income Trust Fund such that the fund adopted a high income balanced mandate. The fund was renamed Mackenzie Sentinel Registered Strategic Income Fund.

  Changed the investment objectives of the Mackenzie Focus Canada Class such that the fund invests purely in Canadian equities. The fund was renamed Mackenzie Focus All-Canadian Class.
- ***November***
  Launched the following three funds: Mackenzie Sentinel Strategic Income Class, a flexible income-focused fund; Mackenzie All-Sector Canadian Equity Fund, a sector neutral Canadian equity fund; and Mackenzie Maxxum All-Canadian Dividend Class, an all-Canadian dividend fund.
- ***December***
  Launched The Canadian Shield Fund resulting in total gross proceeds of the Fund's initial public offering of $127.8 million.

  MSP* 2010 Resource Limited Partnership filed a preliminary prospectus in respect of an initial public offering of limited partnership units.

During the year, Mackenzie announced a number of fund mergers in its mutual fund product lineup. The mergers were undertaken to provide lower fees for investors, increased prospects for performance and greater tax efficiency.

In addition, in January 2010 Mackenzie launched the Mackenzie Universal Gold Bullion Class, a fund that invests 80% to 100% of its assets in gold bullion and/or permitted gold certificates.

TRUST, DEALER AND ADMINISTRATION SERVICES

Mackenzie continues to provide products and services to dealers, financial advisors and their respective clients through its subsidiaries. M.R.S. Trust Company provides an array of loan and deposit products to clients of independent financial advisors including registered and non-registered investment loans, residential mortgages, high-yield deposits and GICs. In addition, M.R.S. Trust provides trustee services to certain distribution companies within the Power Financial group of companies. M.R.S. Inc. (MRS) is a carrying dealer service provider to distributors of mutual funds across Canada. MRS serves over 150 dealers and over 16,000 advisors. Clients can hold mutual funds, equities, fixed income securities and other specialty investments in an MRS account. Winfund Software Corp. is one of the larger providers of software for distributors of mutual funds and insurance products in Canada.

Review of Segment Operating Results

Mackenzie's earnings from operations before interest and taxes are presented in Table 10.

2009 VS. 2008

Fee and Net Investment Income

Mackenzie's management fee revenues are earned from services it provides as fund manager to the Mackenzie mutual funds and as investment advisor to sub-advisory and institutional accounts. The majority of Mackenzie's mutual fund assets are purchased on a retail priced basis. Mackenzie also offers various series of its mutual funds with management fees that are designed for fee-based programs, institutional investors and third party investment programs offered by banks, insurance companies and investment dealers. In these series of its mutual funds, Mackenzie does not pay trailing commissions or selling commissions. At December 31, 2009, there were $8.6 billion of mutual fund assets in these series of funds, as compared to $6.9 billion at December 31, 2008.

Management fees were $169.4 million for the three months ended December 31, 2009, an increase of $11.8 million or 7.5% from $157.6 million last year.

TABLE 10: OPERATING RESULTS – MACKENZIE

THREE MONTHS ENDED *($ millions)*	2009 DEC. 31	2009 SEP. 30	2008 DEC. 31	% CHANGE 2009 SEP. 30	% CHANGE 2008 DEC. 31
Fee and net investment income					
Management	$ 169.4	$ 164.7	$ 157.6	2.9 %	7.5 %
Administration	33.5	34.9	33.8	(4.0)	(0.9)
Distribution	6.5	6.2	8.5	4.8	(23.5)
	209.4	205.8	199.9	1.7	4.8
Net investment income and other	3.4	4.4	4.6	(22.7)	(26.1)
	212.8	210.2	204.5	1.2	4.1
Operating expenses					
Commissions	31.5	30.0	30.1	5.0	4.7
Trailing commissions	44.5	43.2	40.2	3.0	10.7
Non-commission	64.7	66.2	70.3	(2.3)	(8.0)
	140.7	139.4	140.6	0.9	0.1
Earnings before interest and taxes	$ 72.1	$ 70.8	$ 63.9	1.8 %	12.8 %

TWELVE MONTHS ENDED *($ millions)*	2009 DEC. 31	2008 DEC. 31	% CHANGE
Fee and net investment income			
Management	$ 631.4	$ 750.0	(15.8)%
Administration	137.4	136.1	1.0
Distribution	25.8	34.3	(24.8)
	794.6	920.4	(13.7)
Net investment income and other	14.6	22.7	(35.7)
	809.2	943.1	(14.2)
Operating expenses			
Commissions	119.8	142.2	(15.8)
Trailing commissions	164.9	196.6	(16.1)
Non-commission	269.2	289.6	(7.0)
	553.9	628.4	(11.9)
Earnings before interest and taxes	$ 255.3	$ 314.7	(18.9)%

For the twelve months ended December 31, 2009, management fees were $631.4 million, a decrease of $118.6 million or 15.8% from $750.0 million in 2008. The change in management fees in both the three and twelve month periods was due to the change in Mackenzie's monthly average total assets under management combined with the movement in mix of assets under management.

Monthly average total assets under management were $62.5 billion in the three month period ended December 31, 2009 compared to $56.1 billion in 2008, an increase of 11.4%. Monthly average total assets under management for the twelve months ended December 31, 2009 were $57.6 billion compared to $59.8 billion in 2008, a decrease of 3.6%.

Mackenzie's average management fee rate was 107.5 basis points in the three month period ended December 31, 2009 and 109.5 basis points in the twelve month period ended December 31, 2009, compared to 111.8 basis points and 125.4 basis points respectively in 2008. The decrease in the average management fee rate as compared to 2008 was due to the relative change in Mackenzie's institutional accounts, primarily due to the acquisition of Saxon on September 25, 2008, and in its non-retail priced mutual funds relative to the change in its retail priced mutual funds as institutional assets and non-retail priced mutual funds have lower management fees. Changes in asset mix within Mackenzie's retail priced mutual funds, which represent the relative proportion of equity and fixed income assets under management, also affect average management fee rates. In addition, due to the low interest rate environment in the current year, Mackenzie waived a portion of its management fees on its money market funds in order to maintain positive net returns for investors in these funds. In the three and twelve month periods ended December 31, 2009, Mackenzie waived management fees of $5.0 million and $7.7 million respectively on its money market funds. In 2008, Mackenzie's waivers of management fees on its money market funds were not significant.

Administration fees include the following main components:

- Administration fees for providing services to the Mackenzie mutual funds and structured products.
- Asset allocation fees.
- Trustee and other administration fees generated from the MRS account administration business.

Administration fees were $33.5 million for the three months ended December 31, 2009, as compared to $33.8 million in 2008. Administration fees were $137.4 million for the twelve months ended December 31, 2009, as compared to $136.1 million in 2008.

Effective August 1, 2007, Mackenzie assumed responsibility for the applicable operating expenses of the Mackenzie funds, other than GST and certain specified fund costs, in return for a fixed rate administration fee established for each fund based on the following criteria:

- From August 1, 2007 until December 31, 2009, and thereafter as may be applicable, the funds that existed as at August 1, 2007 may be required to pay a monthly operating expense adjustment to Mackenzie if the combined average monthly net assets for all Mackenzie funds and series that were subject to the administration fee proposal that was approved by investors on August 7, 2007 fall to a level that is 95% of the amount of their total net assets. If it becomes payable, Mackenzie will be entitled to receive an operating expense adjustment for that month from each of those funds and series in such amount that will result in all of those series, collectively, paying an administration fee for the month equal to the administration fee that would have been payable had the monthly net assets equaled 95% of the net assets on August 1, 2007 throughout the month.
- As the applicable mutual fund asset levels as at December 31, 2009 were below 95% of the net asset levels on August 1, 2007, the monthly operating expense adjustment continues until the first month where average asset levels exceed 95% of the net asset levels on August 1, 2007. If, in a subsequent month, the monthly net assets increase to an amount equal to or greater than 95% of the net assets on August 1, 2007, the operating expense adjustment will no longer be payable.

Due to the level of Mackenzie's mutual fund assets, Mackenzie was entitled to an operating expense adjustment. Included in administration fees were operating expense adjustments of $3.5 million in the three months ended December 31, 2009 and $23.0 million in the twelve months ended December 31, 2009, compared to $6.5 million and $10.1 million respectively in 2008.

Mackenzie earns distribution fee income on redemptions of mutual fund units sold on a deferred sales charge basis and on a low load basis. Distribution fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Distribution fees for low load assets range from

3.0% in the first year and decrease to zero after three years. Distribution fee income in the three months ended December 31, 2009 was $6.5 million, a decrease of $2.0 million from $8.5 million last year. Distribution fee income in the twelve months ended December 31, 2009 was $25.8 million, a decrease of $8.5 million from $34.3 million in 2008. The decrease in both periods was due primarily to lower redemptions subject to deferred sales charges in 2009 compared to 2008.

The primary component of net investment income and other is the net interest margin from M.R.S. Trust Company's lending and deposit-taking operations. Net investment income in the three months ended December 31, 2009 was $3.4 million, a decrease of $1.2 million from $4.6 million in 2008. Net investment income in the twelve months ended December 31, 2009 was $14.6 million, a decrease of $8.1 million from $22.7 million in the comparative period last year. Net investment income in the current periods was below the corresponding periods last year primarily due to the lower interest rate environment experienced in 2009 as compared to 2008 which resulted in a compression in M.R.S. Trust's net interest spreads. The decrease in net investment income in the current year was offset in part by gains realized by M.R.S. Trust in the disposition of securities. Net realized gains were $1.2 million and $2.7 million, respectively, in the three and twelve month periods ended December 31, 2009. There were no gains realized by M.R.S. Trust in the comparative periods last year.

Operating Expenses

Mackenzie's operating expenses were $140.7 million for the three months ended December 31, 2009 compared to $140.6 million last year. Operating expenses for the year ended December 31, 2009 were $553.9 million, a decrease of $74.5 million or 11.9% from $628.4 million in 2008.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a deferred sales charge and low load basis. Commission expense, which represents the amortization of selling commissions, was $31.5 million in the three months ended December 31, 2009, as compared to $30.1 million last year. Commission expense in the year ended December 31, 2009 was $119.8 million as compared to $142.2 million in 2008. Mackenzie amortizes selling commissions over three years from the date of original purchase of the applicable low load units and over a maximum period of seven years from the date of original purchase of the applicable deferred sales charge units. The decrease in commission expense for the twelve months ended December 31, 2009 as compared to last year is consistent with the general decline in selling commissions paid to dealers in both the current and previous years. An increasing percentage of Mackenzie's mutual funds are now sold on a front-end basis and Mackenzie does not pay a selling commission on these sales. In addition, an increase in the proportion of Mackenzie's selling commissions that are now fully amortized also contributed to the decline in commission expense.

Trailing commissions paid to dealers are calculated as a percentage of mutual fund assets under management and vary depending on the fund type and the basis upon which the fund was purchased: front-end, deferred sales charge or low load basis. Trailing commissions are generally not paid on non-retail series of mutual funds and institutional assets. Trailing commissions paid to dealers were $44.5 million in the three months ended December 31, 2009, an increase of $4.3 million or 10.7% from $40.2 million last year. Trailing commissions in the twelve months ended December 31, 2009 were $164.9 million, a decrease of $31.7 million or 16.1 % from $196.6 million in the comparative period last year. The change in trailing commissions in both the three and twelve month periods ended December 31, 2009 is consistent with the period over period movement in average mutual fund assets under management and the change in asset mix within Mackenzie's mutual funds. Trailing commissions as a percentage of average mutual fund assets under management were 44.1 basis points in the three months ended December 31, 2009 and 44.5 basis points in the twelve months ended December 31, 2009, as compared to 44.5 basis points and 46.8 basis points respectively last year.

Non-commission expenses include costs incurred by Mackenzie related to the administration, marketing and management of its assets under management, as well as costs incurred in its account administration and trust company businesses. Non-commission expenses were $64.7 million in the three months ended December 31, 2009, a decrease of $5.6 million or 8.0% from $70.3 million last year. Non-commission expenses in the twelve months ended December 31, 2009 were $269.2 million, a decrease of $20.4 million or 7.0% from $289.6 million in 2008. Mackenzie actively manages its non-commission expenses to enhance its future operating capabilities while at the same time selectively spending on revenue generating initiatives to further grow its business.

Mackenzie's non-commission expenses in the twelve months ended December 31, 2009 include costs related to Saxon's operations for the entire year whereas 2008

only includes costs related to Saxon's operations from the date of acquisition (September 25, 2008). The integration of Saxon into Mackenzie's operations was completed in a timely manner in accordance with the business plan prepared by management at the time of acquisition.

Q4 2009 VS. Q3 2009

Fee and Net Investment Income

Management fees were $169.4 million for the current quarter, an increase of $4.7 million or 2.9% from $164.7 million in the third quarter of 2009. The increase in management fees was due primarily to the increase in Mackenzie's monthly average total assets under management combined with the change in mix of its assets under management.

Monthly average total assets under management were $62.5 billion in the current quarter compared to $59.5 billion in the quarter ended September 30, 2009, an increase of 5.0%. Mackenzie's average management fee rate was 107.5 basis points in the current quarter and 109.8 basis points in the third quarter of 2009. The decline in the effective management fee rate in the current quarter was due to the increase in money market fund management fee waivers. In the three months ended December 31, 2009, Mackenzie waived management fees of $5.0 million on its money market funds as compared to $1.0 million in the three months ended September 30, 2009.

Administration fees were $33.5 million in the current quarter compared to $34.9 million in the quarter ended September 30, 2009. Included in administration fees for the current quarter were fund operating expense adjustments of $3.5 million as compared to $5.1 million in the third quarter of 2009.

Operating Expenses

Mackenzie's operating expenses were $140.7 million for the current quarter, an increase of $1.3 million or 0.9% from $139.4 million in the third quarter of 2009.

Commission expense, which represents the amortization of selling commissions, was $31.5 million in the quarter ended December 31, 2009, as compared to $30.0 million in the third quarter of 2009.

Trailing commissions paid to dealers were $44.5 million in the current quarter, an increase of $1.3 million or 3.0% from $43.2 million in the third quarter of 2009. The increase in trailing commissions is consistent with the quarter over quarter increase in average mutual fund assets under management and the change in asset mix within Mackenzie's mutual funds. Trailing commissions as a percentage of average mutual fund assets under management were 44.1 basis points in the current quarter and 44.8 basis points in the quarter ended September 30, 2009.

Non-commission expenses were $64.7 million in the current quarter, a decrease of $1.5 million or 2.3% from the third quarter of 2009. Non-commission expenses include costs incurred by Mackenzie related to the administration, marketing and management of its assets under management, as well as costs incurred in its account administration and trust company businesses.

IGM Financial Inc. Consolidated Financial Position

IGM Financial's total assets were $8.6 billion at December 31, 2009, compared to $8.3 billion at December 31, 2008.

SECURITIES

The composition of the Company's securities holdings net of derivatives classified as fair value hedges is detailed in Table 11.

Available for Sale (AFS) Securities

Securities classified as available for sale include equity securities, investments in proprietary mutual funds and fixed income securities. Unrealized gains and losses on available for sale securities not designated as part of a hedging relationship are recorded in Other comprehensive income until they are realized or until management determines that there is objective evidence of impairment in value that is other than temporary, at which time they are recorded in the Consolidated Statements of Income.

The fair value of the Company's common share holdings was $237.1 million as at December 31, 2009. This compared to $294.2 million, net of derivatives classified as fair value hedges at December 31, 2008, a decrease of $57.1 million. The decrease due to net sales of common share holdings of $100.2 million in 2009 was offset in part by increases in the fair value of the portfolio during 2009. In the fourth quarter of 2009, the Company recorded an other than temporary impairment charge totalling $73.3 million on its AFS common shares portfolio related to the market environment as discussed in Note 2 to the Consolidated Financial Statements. The Company's exposure to and management of equity price risk related to its common share holdings is discussed in the Financial Instruments section of the MD&A and in Note 17 in the Consolidated Financial Statements.

The Company holds a diversified portfolio of fixed income securities totalling $315.4 million at December 31, 2009 which is comprised primarily of bankers' acceptances, Canadian chartered bank senior deposit and floating rate notes, government guaranteed short-term investments, and corporate bonds.

Held for Trading Securities

Securities classified as held for trading include Canada Mortgage Bonds, fixed income securities comprised of non-bank-sponsored asset-backed commercial paper (ABCP), and NHA MBS. Unrealized gains and losses are recorded in Net investment income and other in the Consolidated Statements of Income.

As part of the Company's interest rate risk management activities relating to its mortgage banking operations, the Company purchased Canada Mortgage Bonds during the year ended December 31, 2009. These securities were subsequently sold under repurchase agreements which represent short-term funding transactions where the Company sells securities that it owns and commits to repurchase these securities at a specified price on a specified date in the future. These

TABLE 11: SECURITIES

	December 31, 2009		December 31, 2008	
($ thousands)	COST	FAIR VALUE	COST	FAIR VALUE
Available for Sale				
Common shares[1]	$ 236,383	$ 237,085	$ 406,172	$ 294,164
Investments in proprietary mutual funds	41,259	41,341	33,360	28,518
Fixed income securities	314,260	315,387	229,969	231,289
	591,902	593,813	669,501	553,971
Held for Trading				
Canada Mortgage Bonds	647,318	624,703	–	–
Fixed income securities	31,443	27,743	–	–
NHA MBS	–	–	15,788	16,077
	678,761	652,446	15,788	16,077
	$ 1,270,663	$ 1,246,259	$ 685,289	$ 570,048

(1) The fair value of derivatives classified as fair value hedges represent an increase to the fair value of common shares of nil at December 31, 2009 and $32.4 million at December 31, 2008 and were classified as Other Assets or Other Liabilities on the Consolidated Balance Sheets.

securities have a fair value of $624.7 million. The obligation to repurchase the securities is recorded at amortized cost and has a carrying value of $629.8 million. The interest expense related to these obligations is recorded on an accrual basis in Net investment income and other in the Consolidated Statements of Income.

The Company's original investment in ABCP totalled $50.2 million and was initially classified as available for sale. In 2008, the Company reduced the fair value of the ABCP by recording charges to income totalling $14.9 million and recording a further $3.7 million charge in the first quarter of 2009. During 2009, the Company's investment in ABCP was reduced by $3.9 million, representing principal and interest payments received from the ABCP conduit trusts. Refer to Note 2 of the Consolidated Financial Statements for additional information.

LOANS

Loans, including mortgages and investment loans, increased by $82.0 million to $671.6 million at December 31, 2009 and represented 7.8% of total assets, compared to 7.1% at December 31, 2008. Residential mortgage loans related to the Company's mortgage banking operations increased by $110.9 million. In the Company's deposit and lending operations, investment loans decreased by $5.2 million and residential mortgage loans decreased by $23.7 million in the twelve month period.

Residential mortgage loans originated by Investors Group are funded primarily through sales to third parties, including CMHC or Canadian bank sponsored securitization trusts, on a fully serviced basis. M.R.S. Trust Company sources mortgage loans through mortgage brokers and investment loans through financial advisors. These loans are funded primarily through the Company's deposit operations.

The Company's exposure to and management of credit risk and interest rate risk related to its loan portfolios and its mortgage banking operations is discussed in the Financial Instruments section of the MD&A and in Notes 3 and 17 in the Consolidated Financial Statements.

INVESTMENT IN AFFILIATE

The Company currently has a 4% equity interest in Great-West Lifeco Inc. (Lifeco), an affiliated company. Both IGM Financial and Lifeco are controlled by Power Financial Corporation.

The equity method is used to account for IGM Financial's investment in Lifeco and the Company's proportionate share of Lifeco's earnings is recorded in Net investment income and other in the Investors Group reportable segment. Changes in the carrying value for the year ended December 31, 2009 compared with the same period in 2008 are shown in Table 12.

TABLE 12: INVESTMENT IN AFFILIATE

TWELVE MONTHS ENDED DECEMBER 31 *($ millions)*	2009	2008
Carrying value, beginning of year	$ 574.4	$ 560.7
Proportionate share of earnings and other(1)	69.4	90.4
Dilution gain	–	4.2
Proportionate share of affiliate's impairment charge	–	(60.3)
Proportionate share of affiliate's gain	–	25.0
Dividends received	(46.4)	(45.4)
Proportionate share of accumulated other comprehensive income (loss) and other adjustments	0.8	(0.2)
Carrying value, end of year	$ 598.2	$ 574.4

(1) The Company's proportionate share of Lifeco's earnings were $25.5 million (2008 – $22.1 million) in the first quarter of 2009, $10.4 million (2008 – $29.6 million) in the second quarter of 2009, $16.4 million (2008 – $17.9 million) in the third quarter of 2009 and $17.1 million (2008 – $20.8 million) in the fourth quarter of 2009.

OFF-BALANCE SHEET SECURITIZATION ARRANGEMENTS

Through the Company's mortgage banking operations, periodic sales of residential mortgages are made to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company retains servicing responsibilities and, in some cases, certain elements of recourse with respect to credit losses on transferred loans. During 2009, the Company entered into securitization transactions with Canadian bank-sponsored securitization trusts and the CMB Program through its mortgage banking operations with proceeds of $1.3 billion compared with $1.4 billion in 2008 as discussed in Note 4 to the Consolidated Financial Statements. Securitized loans serviced at December 31, 2009 totalled $3.3 billion compared with $2.9 billion at December 31, 2008. The fair value of the Company's retained interest was $173.5 million at December 31, 2009 compared to $201.4 million at December 31, 2008. Additional information related to the Company's securitization activities can be found in the Financial Instruments section of this MD&A and in Notes 1 and 4 of the Consolidated Financial Statements.

Consolidated Liquidity and Capital Resources

LIQUIDITY

Cash and cash equivalents totalled $945.1 million at December 31, 2009 compared with $1.23 billion at December 31, 2008. A significant portion of cash and cash equivalents and loans relates to the Company's deposit operations as shown in Table 13.

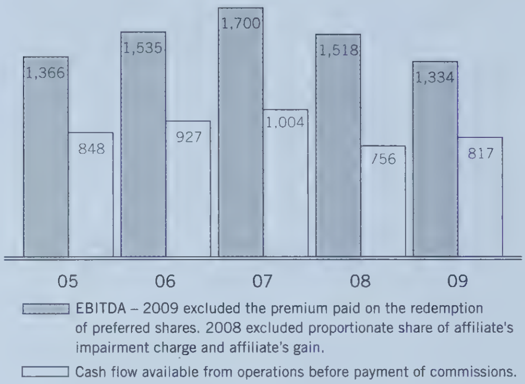
Net working capital totalled $834.8 million at December 31, 2009 compared to $817.8 million at December 31, 2008, excluding the Company's cash and cash equivalents related to its deposit operations as shown in Table 13.

Net working capital requirements include:

- Financing ongoing operations, including the funding of selling commissions.
- Temporarily financing mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to long-term debt and preferred shares.
- Payment of quarterly dividends on its outstanding common shares.
- Maintaining liquidity requirements for regulated entities.
- Financing common share repurchases related to the Company's normal course issuer bid.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled $1.33 billion for 2009 compared to $1.52 billion in 2008. EBITDA for each period under review also excludes the impact of amortization of deferred selling commissions which totalled $303.7 million and $319.3 million in 2009 and 2008, respectively. As well as being an important alternative measure of performance, EBITDA as reported by the Company is one of the primary metrics utilized by investment analysts and credit rating agencies in reviewing asset management companies.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
For the financial year *($ millions)*



Refer to the Financial Instruments section of this MD&A for information related to other sources of liquidity and to the Company's exposure to and management of liquidity risk.

Cash Flows

Table 14 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which form part of the Consolidated Financial Statements for the year ended December 31, 2009. Cash and cash equivalents decreased $287.1 million in 2009 compared with an increase of $51.9 million in 2008.

Operating activities, before payment of commissions, generated $912.7 million during the year ended December 31, 2009, as compared to $864.7 million in 2008. Cash commissions paid were $213.2 million in

TABLE 13: ASSETS RELATED TO DEPOSIT OPERATIONS

As at December 31 *($ millions)*	2009	2008	CHANGE
Assets			
Cash and cash equivalents	$ 308.4	$ 475.2	(35.1)%
Securities	315.4	188.0	67.8
Loans	435.4	443.3	(1.8)
Total assets	$ 1,059.2	$ 1,106.5	(4.3)%
Liabilities and shareholders' equity			
Deposit liabilities	$ 907.4	$ 959.0	(5.4)%
Other liabilities – net	54.5	46.5	17.2
Shareholders' equity	97.3	101.0	(3.7)
Total liabilities and shareholders' equity	$ 1,059.2	$ 1,106.5	(4.3)%

TABLE 14: CASH FLOWS

($ millions)	2009	2008	CHANGE
Operating activities			
Before payment of commissions	$ 912.7	$ 864.7	5.6 %
Commissions paid	(213.2)	(270.1)	21.1
Net of commissions paid	699.5	594.6	17.6
Financing activities	(236.9)	(220.7)	(7.3)
Investing activities	(749.7)	(322.0)	(132.8)
(Decrease) increase in cash and cash equivalents	(287.1)	51.9	N/M
Cash and cash equivalents, beginning of year	1,232.2	1,180.3	4.4
Cash and cash equivalents, end of year	$ 945.1	$ 1,232.2	(23.3)%

2009 compared to $270.1 million in 2008. The decreases in cash commissions paid are consistent with the decline in mutual fund sales. Net cash flows from operating activities, net of commissions paid, was $699.5 million in 2009 as compared to $594.6 million in 2008.

Financing activities during the year ended December 31, 2009 compared to 2008 related primarily to:

- A net decrease of $51.7 million in deposits and certificates in 2009 compared to a net increase of $102.1 million in 2008. The net decrease in 2009 related to decreases in both demand and term deposits levels.
- The repayment of the $286.6 million bankers' acceptances in the second quarter of 2009 which was provided to IGM Financial in 2008 related to the acquisition of Saxon Financial Inc.
- The repayment of the outstanding uncommitted operating line of credit of $100.0 million in the fourth quarter of 2009.
- Net proceeds of $629.8 million arising from obligations related to assets sold under repurchase agreements in 2009.
- Proceeds of $375.0 million on the issuance of debentures in the second quarter of 2009.
- The redemption of Series A preferred shares of $374.4 million on December 31, 2009 which included a premium on the redemption of $14.4 million.
- Proceeds received on the issuance of perpetual preferred shares of $150.0 million in the fourth quarter of 2009. Share issue costs on the issuance of the preferred shares were $3.4 million in 2009.
- Proceeds received on the issuance of common shares of $34.0 million in 2009 compared with $22.0 million in 2008.
- The purchase of 1,762,800 common shares in 2009 under IGM Financial's normal course issuer bid at a cost of $70.2 million compared with the purchase of 2,824,800 common shares at a cost of $118.2 million in 2008.
- The payment of regular common share dividends which increased to $539.5 million in 2009 from $513.2 million in 2008 as a result of increases in the Company's common share dividend rate.

Investing activities during the year ended December 31, 2009 compared to 2008 related primarily to:

- Purchases of securities totalling $1,357.3 million, of which $647.3 million related to Canada Mortgage Bonds, and sales of securities with proceeds of $699.4 million in 2009 compared with $302.6 million and $334.7 million, respectively, in 2008.
- Net increases in loans of $1,400.6 million compared to $1,491.6 million in 2008 related primarily to residential mortgages in the Company's mortgage banking operations.
- Net cash proceeds resulting from the securitization of residential mortgage loans through Canadian bank-sponsored securitization trusts and the CMB Program of $1,324.5 million in 2009 compared to $1,441.4 million in 2008.
- The acquisition of the non-controlling interest in Investment Planning Counsel in the second quarter of 2009.

Investing activities in 2008 also included the acquisition of Saxon Financial Inc., net of cash and cash equivalents assumed, which totalled $264.7 million.

CAPITAL RESOURCES

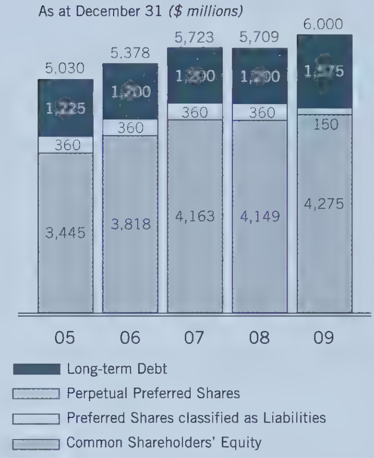
The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consisted of long-term debt, perpetual preferred shares and common shareholders' equity which totalled $6.0 billion at December 31, 2009, compared to $5.7 billion at December 31, 2008. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include trust companies, securities advisors, securities dealers and mutual fund dealers. These subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. The Company's subsidiaries have complied with all regulatory capital requirements.

The Company commenced a normal course issuer bid on March 23, 2009 to purchase up to 5% of its common shares in order to provide flexibility to repurchase common shares as conditions warrant. The Company repurchased 1,762,800 common shares in 2009 at a cost of $70.2 million under the normal course issuer bid (Note 14 to the Consolidated Financial Statements). Other capital management activities in 2009 included the declaration of preferred share dividends of $20.7 million and common share dividends of $539.7 million. Changes in common share capital and perpetual preferred shares are reflected in the Consolidated Statements of Changes in Shareholders' Equity and included the issuance of common shares on the acquisition of the non-controlling interest in Investment Planning Counsel and the issuance of $150 million in perpetual preferred shares. Preferred shares classified as liabilities of $360 million were redeemed on December 31, 2009. Long-term debt of $1.6 billion included the issuance of $375 million of 10 year debentures in the second quarter of 2009. The total outstanding long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Capital

As at December 31 *($ millions)*



During 2008, the Company filed a short form base shelf prospectus giving the Company the flexibility to adjust its capital structure in response to changes in economic conditions and changes in its financial condition. On April 7, 2009 the Company completed a public offering of $375 million, 7.35% debentures maturing April 8, 2019. The debentures were priced to provide a yield to maturity of 7.358%. Proceeds of the issue were utilized to repay the $287 million bankers' acceptances used to finance the acquisition of Saxon in 2008 and for general corporate and investment purposes. On December 8, 2009 the Company issued $150 million Series B, 5.90% non-cumulative first preferred shares. These perpetual preferred shares are redeemable at the option of the Company on and after December 31, 2014, for $25.00 per share plus a premium if redeemed prior to December 31, 2018, in each case including all declared and unpaid dividends prior to the redemption date. The net proceeds of the issue will be used to supplement the Company's financial resources and for general corporate purposes.

On November 13, 2009 Standard & Poor's (S&P) reaffirmed its "A+" ratings of IGM Financial's senior debt and liabilities and revised its outlook to stable from negative. The stable outlook reflects S&P's view of an improved operating environment in the asset management industry, the Company's increased levels of assets under management, its current and likely prospective improvement in profitability, and the expectation that IGM Financial will maintain a strong balance sheet.

In April 2009, the Dominion Bond Rating Service (DBRS) affirmed its rating at "A (high)" with a stable

outlook and on January 13, 2010, DBRS reaffirmed its rating at "A (high)" with a stable outlook.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

These ratings are not a recommendation to buy, sell or hold the securities of the Company and do not address market price, nor other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The "A+" rating assigned to the Company's senior unsecured debentures by S&P is the third highest of the ten major rating categories for long-term debt and indicates S&P's view that the Company's capacity to meet its financial commitment on the obligation is strong, but the Company is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than companies in higher rated categories. S&P uses "+" or "-" designations to indicate the relative standing within the major rating categories.

According to S&P, the "Stable" rating outlook means that S&P considers that the rating is unlikely to change over the intermediate term. A stable outlook is not necessarily a precursor to an upgrade.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS is the third highest of the ten rating categories for long-term debt. Under the DBRS system, debt securities rated A (High) are of satisfactory credit quality and protection of interest and principal is considered substantial. While this is a favourable rating, entities in the A (High) category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated companies. A reference to "high" or "low" reflects the relative strength within the rating category, while the absence of either a "high" or "low" designation indicates the rating is placed in the middle of the category.

According to DBRS, the "Stable" rating trend helps give investors an understanding of DBRS's opinion regarding the outlook for the rating.

FINANCIAL INSTRUMENTS

Table 15 presents the carrying value and the fair value of financial instruments.

TABLE 15: FINANCIAL INSTRUMENTS

	2009		2008	
As at December 31 (*$ millions*)	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	$ 945.1	$ 945.1	$ 1,232.2	$ 1,232.2
Securities	1,246.3	1,246.3	537.7	537.7
Loans	671.6	674.8	589.6	591.7
Other financial assets	267.0	267.0	285.4	285.4
Derivative assets	120.4	120.4	193.2	193.2
Total financial assets	$ 3,250.4	$ 3,253.6	$ 2,838.1	$ 2,840.2
Liabilities				
Deposits and certificates	$ 907.3	$ 916.1	$ 959.0	$ 964.2
Bankers' acceptances	–	–	286.6	286.6
Repurchase agreements	629.8	629.8	–	–
Other financial liabilities	591.4	591.4	688.1	688.1
Derivative liabilities	112.7	112.7	172.3	172.3
Preferred share liabilities	–	–	360.0	366.5
Long-term debt	1,575.0	1,714.3	1,200.0	1,206.2
Total financial liabilities	$ 3,816.2	$ 3,964.3	$ 3,666.0	$ 3,683.9

Fair value is determined using the following methods and assumptions:

- The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, certain other financial assets, and other financial liabilities.
- Securities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk and maturity.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Preferred share liabilities are valued using quoted prices from active markets.
- Long-term debt is valued by reference to current market prices for debentures and notes payable with similar terms and risks.
- Derivative financial instruments fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

Details of each component of the financial instruments are contained in the various related notes to the Consolidated Financial Statements, including Note 19 which provides additional discussion on the determination of fair value of financial instruments.

Although the volatility experienced in capital markets throughout 2009 resulted in changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the year ended December 31, 2009. The Company actively manages risks that arise as a result of holding financial instruments which include liquidity, credit and market risk.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's liquidity management practices include:

- Controls over liquidity management processes;
- Stress testing of various operating scenarios;
- Oversight over liquidity management by Committees of the Board of Directors.

As part of these ongoing liquidity management practices during 2009 and 2008, the Company:

- Filed a short form base shelf prospectus to give the Company the flexibility to access debt and equity markets;
- Completed a public offering of $375 million debentures on April 7, 2009 maturing in April 2019, as discussed in the Capital Resources section of this MD&A;
- Completed a public offering of $150 million perpetual preferred shares on December 8, 2009, as discussed in the Capital Resources section;
- Redeemed $360 million in preferred shares as discussed in the Capital Resources section;
- Increased the Company's committed lines of credit;
- Developed additional funding sources for the Company's mortgage banking operations;
- Reviewed the concentration and diversification profile of the Company's cash and cash equivalents;
- Reduced the equity component of the Company's securities portfolio.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. The payment of commissions continues to be fully funded through ongoing cash flow from operations.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, residential mortgages are funded through placement with Investors Group's intermediary operations or through sales to Investors Mortgage and Short Term Income Fund and to third parties, including CMHC or Canadian bank sponsored securitization trusts, or through private placements to institutional investors. Investors Group is an approved issuer of NHA MBS and an approved seller into the CMB Program. This issuer and seller status provides Investors Group with additional funding sources for residential mortgages (Note 4 to the Consolidated Financial Statements). During 2009, proceeds from securitizations were $1.3 billion and whole loan sales to third parties totalled $147.1 million, compared with $1.4 billion and $196.3 million respectively in 2008.

The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions that are subject to change.

Liquidity requirements for trust subsidiaries which engage in financial intermediary activities are based on policies approved by committees of their respective Boards of Directors. As at December 31, 2009, the trust

TABLE 16: CONTRACTUAL OBLIGATIONS

As at December 31, 2009 (*$ millions*)	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Deposits and certificates	$ 695.4	$ 71.3	$ 135.8	$ 4.8	$ 907.3
Other liabilities	–	12.5	91.1	9.1	112.7
Long-term debt	–	–	450.0	1,125.0	1,575.0
Operating leases(1)	–	44.7	115.3	102.9	262.9
Total contractual obligations	$ 695.4	$ 128.5	$ 792.2	$ 1,241.8	$ 2,857.9

(1) Includes office space and equipment used in the normal course of business. Lease payments are charged to earnings in the period of use.

subsidiaries' liquidity was in compliance with these policies.

The Company's contractual maturities are reflected in Table 16.

In addition to IGM Financial's current balance of cash and cash equivalents, other potential sources of liquidity include the Company's lines of credit and portfolio of securities. The Company increased its operating lines of credit with various Schedule I Canadian chartered banks to $675 million as at December 31, 2009 from $475 million as at December 31, 2008. The operating lines of credit as at December 31, 2009 consist of committed lines of $500 million (2008 – $300 million) and uncommitted lines of $175 million (2008 – $175 million). As at December 31, 2009, the Company was not utilizing its committed lines of credit (2008 – nil) or its uncommitted operating lines of credit (2008 – $100 million). In October 2009, the Company repaid the $100 million uncommitted operating lines of credit.

In connection with the acquisition of Saxon Financial Inc. on September 25, 2008, the Company maintained a non-revolving bridge credit facility with a Schedule I chartered bank totalling $287 million. During April 2009, the Company repaid the balance of the credit facility with proceeds from the issue of the debentures.

During 2009, the Company accessed the domestic equity and debt markets to raise capital through the issue of $375.0 million in debentures in the second quarter and $150.0 million in perpetual preferred shares in the fourth quarter of 2009. The Company's ability to access capital markets to raise funds is dependent on market conditions.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above will be sufficient to fund the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, as reflected in Table 16, and its declared dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. Dividends increased for the 20th consecutive year in 2009, increasing by 2.5% to $2.05 per share in 2009 compared to $2.00 per share in 2008. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the performance of debt and equity markets. The Company's liquidity position and its management of liquidity risk have not changed materially since December 31, 2008.

Credit Risk

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations. The Company's cash and cash equivalents, securities holdings, mortgage and investment loan portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At December 31, 2009, cash and cash equivalents of $945.1 million consisted of cash balances of $138.5 million on deposit with Canadian chartered banks and cash equivalents of $806.6 million. Cash equivalents are comprised primarily of Government of Canada treasury bills totalling $258.4 million, provincial government and government guaranteed commercial paper of $207.8 million and bankers' acceptances issued by Canadian chartered banks of $330.9 million. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

Available for sale fixed income securities at December 31, 2009 are comprised primarily of bankers'

acceptances of $162.3 million, Canadian chartered bank senior deposit notes and floating rate notes of $89.0 million and $5.0 million, respectively, government guaranteed short-term investments of $20.0 million, and corporate bonds of $38.6 million. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

Held for trading fixed income securities are comprised of non-bank-sponsored ABCP with a fair value of $27.7 million which represents the maximum exposure to credit risk at December 31, 2009. Refer to Note 2 to the Consolidated Financial Statements for information related to the valuation of ABCP.

The Company regularly reviews the credit quality of the mortgage and investment loan portfolios and the adequacy of the general allowance. As at December 31, 2009, mortgages and investment loans totalled $372.9 million and $305.4 million, respectively. The allowance for credit losses of $6.7 million at December 31, 2009 exceeded impaired mortgages and investment loans by $5.9 million. As at December 31, 2009, the mortgage portfolios were geographically diverse, 100% residential (2008 – 100%) and 74% insured (2008 – 64%). The credit risk on the investment loan portfolio is mitigated through the use of collateral, primarily in the form of mutual fund investments. Uninsured non-performing loans over 90 days in the mortgage and investment loan portfolios were $0.2 million at December 31, 2009, compared with $0.5 million at December 31, 2008. The characteristics of the mortgage and investment loan portfolios have not changed significantly during 2009.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage and investment loan portfolios have not changed materially since December 31, 2008.

The Company regularly reviews the credit quality of the mortgage loans securitized through CMHC or Canadian bank sponsored (Schedule I chartered banks) securitization trusts. The maximum exposure to credit risk attributable to securitized mortgage loans is equal to the fair value of the retained interests in the securitized loans, which was $173.5 million at December 31, 2009 compared to $201.4 million in 2008. Retained interests include:

- Cash reserve accounts and rights to future excess spread which totalled $105.5 million at December 31, 2009. The portion of this amount pertaining to Canadian bank-sponsored securitization trusts of $31.2 million is subordinated to the interests of the trust and represents the maximum exposure to credit risk for any failure of the borrowers to pay when due. Credit risk on these mortgages is mitigated by any insurance on these mortgages, as discussed below, and the Company's credit risk on insured loans is to the insurer. At December 31, 2009, 95% of the $1.79 billion in outstanding mortgages securitized under these programs were insured.

  Rights to future excess spread under the NHA MBS and CMB Program totalled $74.3 million. Under the NHA MBS and CMB Program, the Company has an obligation to make timely payments to security holders regardless of whether amounts are received by mortgagors. All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program, and the Company's credit exposure is to the insurer. Outstanding mortgages securitized under these programs are $1.48 billion.

  Since 2008, the Company has purchased portfolio insurance from CMHC on newly funded qualifying conventional mortgage loans. During the third quarter of 2009, the Company expanded its insurance coverage on the $5.4 billion mortgage portfolio which it services, including the $3.27 billion securitized portfolio. This coverage provides the same level of credit risk mitigation as insurance on high ratio loans (non-conventional) at the time of application. At December 31, 2009, over 95% of the mortgage portfolio serviced by the Company was insured. There were no uninsured non-performing loans over 90 days in these portfolios at December 31, 2009, unchanged from December 31, 2008. The Company's expected exposure to credit risk related to cash reserve accounts and rights to future excess spread was not significant at December 31, 2009.
- Fair value of interest rate swaps which the Company enters into related to its securitization activities totalled $68.0 million at December 31, 2009. The outstanding notional amount of these interest rate swaps was $3.4 billion at December 31, 2009 compared to $2.9 billion at December 31, 2008. The exposure to credit risk, which is limited to the fair value of the interest rate swaps which were in a gain position, totalled $75.5 million at December 31, 2009 compared to $132.2 million at December 31, 2008.

The Company utilizes interest rate swaps to hedge interest rate risk related to securitization activities discussed above. The negative fair value of these interest rate swaps totalled $62.9 million at December 31, 2009.

The outstanding notional amount was $3.3 billion at December 31, 2009 compared to $3.0 billion at December 31, 2008. The exposure to credit risk, which is limited to the fair value of the interest rates swaps which are in a gain position, totalled $42.2 million at December 31, 2009 compared to $28.0 million at December 31, 2008.

In addition, the Company enters into other derivative contracts which consist primarily of interest rate swaps utilized to hedge interest rate risk related to mortgages held, or committed to, by the Company. The outstanding notional amount of these derivative contracts was $75.3 million at December 31, 2009 compared to $151.7 million at December 31, 2008. The exposure to credit risk, which is limited to the fair value of those instruments which were in a gain position, decreased to $2.7 million at December 31, 2009 from $33.0 million at December 31, 2008 primarily due to the maturity or settlement of derivative contracts that were in a gain position at year-end.

The aggregate credit risk exposure related to derivatives that are in a gain position of $120.4 million does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, giving effect to netting agreements and collateral arrangements, was $72.3 million at December 31, 2009. Counterparties are all bank-sponsored securitization trusts and Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2009. Management of credit risk has not changed materially since December 31, 2008.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Notes 1, 4 and 18 to the Consolidated Financial Statements in the 2009 IGM Financial Inc. Annual Report.

Market Risk

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in foreign exchange rates, interest rates or equity prices. The Company's financial instruments are generally denominated in Canadian dollars, and do not have significant exposure to changes in foreign exchange rates.

Interest Rate Risk

The Company is exposed to interest rate risk on its loan portfolio, fixed income securities, Canada Mortgage Bonds and on certain of the derivative financial instruments used in the Company's mortgage banking and intermediary operations.

The objective of the Company's asset and liability management is to control interest rate risk related to its intermediary operations by actively managing its interest rate exposure. As at December 31, 2009, the total gap between one-year deposit assets and liabilities was within the Company's trust subsidiaries' stated guidelines.

The Company utilizes interest rate swaps with Canadian Schedule I chartered bank counterparties in order to reduce the impact of fluctuating interest rates on its mortgage banking operations, as follows:

- As part of the securitization transactions with bank-sponsored securitization trusts the Company enters into interest rate swaps with the trusts which transfers the interest rate risk to the Company. The Company enters into offsetting interest rate swaps with Schedule I chartered banks to hedge this risk. Under these securitization transactions with bank-sponsored securitization trusts the Company is exposed to ABCP rates and, after effecting its interest rate hedging activities, remains exposed to the basis risk that ABCP rates are greater than bankers' acceptances rates.
- As part of the securitization transactions under the CMB Program, the Company enters into interest rate swaps with Schedule I chartered bank counterparties that transfer the interest rate risk associated with the program, including reinvestment risk, to the Company. To manage these interest rate and reinvestment risks, the Company enters into offsetting interest rate swaps with Schedule I chartered bank counterparties to reduce the impact of fluctuating interest rates.
- The Company is exposed to the impact that changes in interest rates may have on the value of its investments in Canada Mortgage Bonds. The Company enters into interest rate swaps with Schedule I chartered bank counterparties to hedge interest rate risk on these bonds.
- The Company is also exposed to the impact that changes in interest rates may have on the value of mortgages held, or committed to, by the Company. The Company may enter into interest rate swaps to hedge this risk.

As at December 31, 2009, the impact to net income of a 100-basis point change in interest rates would have been approximately $4.4 million. The Company's exposure to and management of interest rate risk has not changed materially since December 31, 2008.

Equity Price Risk

The Company is exposed to equity price risk on its securities holdings. The Company's common shares and investments in proprietary mutual funds are classified as available for sale securities as shown in Table 11. Unrealized gains and losses on these securities are recorded in Other comprehensive income until they are realized or until management determines there is objective evidence of impairment in value that is other than temporary, at which time they are recorded in the Consolidated Statements of Income.

The Company adheres to an Investment Policy that outlines the objectives, constraints and parameters relating to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Company. The Company may manage its exposure to equity price risk on a portion of its corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. Management regularly reviews the Company's investments to ensure all activities are in adherence to the Investment Policy. The Company holds a diversified portfolio of securities that consists primarily of well-capitalized, dividend-paying Canadian common shares that are included in the S&P TSX 60 Index. Improvements in the equity markets during 2009 reduced the unrealized losses that arose primarily in the latter part of 2008. The S&P TSX 60 Index increased by 30.7% during the year ended December 31, 2009 and 55.2% from its March 9, 2009 low. The Company's common share portfolio had a similar increase in fair value to September 30, 2009. Unrealized losses on common shares were $72.2 million at September 30, 2009 compared with $143.8 million at the end of 2008. Unrealized losses at December 31, 2009 were relatively unchanged from September 30, 2009 levels and totalled $73.3 million.

Common shares are reviewed periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of impairment in value that is other than temporary. Factors that are considered include the length of time and the extent to which the fair value has been below cost, the financial condition and near term prospects of the issuer, as well as the Company's intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery. Common shares which have had an unrealized loss for a prolonged period of time were considered to be other than temporarily impaired. The other than temporary impairment charge of $73.3 million was reclassified from Other comprehensive income to the Consolidated Statements of Income at December 31, 2009.

As at December 31, 2009, the impact of a 10% decrease in equity prices would have been a $23.3 million unrealized loss recorded in the Consolidated Statements of Income. The Company's exposure to and management of equity price risk has not changed materially since December 31, 2008.

MARKET RISK RELATED TO ASSETS UNDER MANAGEMENT

At December 31, 2009, mutual fund industry assets in Canada were approximately $653.1 billion, an increase of 17.8% relative to December 31, 2008 and up 2.2% relative to September 30, 2009, reflecting the volatility experienced in both credit and capital markets.

The Company is subject to the risk of asset volatility from changes in the Canadian and international financial and equity markets. Changes in these markets have caused in the past, and will cause in the future, changes in the Company's assets under management, revenues and earnings. Global economic conditions, exacerbated by financial crises, changes in the equity marketplace, currency exchange rates, interest rates, inflation rates, the yield curve, defaults by derivative counterparties and other factors that are difficult to predict affect the mix, market values and levels of assets under management.

The funds managed by the Company may be subject to unanticipated redemptions as a result of such events. Changing market conditions may also cause a shift in asset mix between equity and fixed income assets, potentially resulting in a decline in the Company's revenue and earnings depending upon the nature of the assets under management and the level of management fees earned by the Company.

Interest rates at unprecedented low levels have significantly decreased the yields of the Company's money market and managed yield unit trust and Corporate Class mutual funds. Throughout 2009, both Investors Group and Mackenzie waived a portion of investment management fees or absorbed some expenses to ensure that these funds maintained positive yields. The Company will review its practices in this regard in response to changing market conditions.

IGM Financial provides Consultants and independent financial advisors with a high level of service and support and a broad range of investment products based on asset classes, countries or regions, and investment management styles which, in turn, result in maintaining strong client relationships and decreasing redemption rates.

TABLE 17: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

As at December 31	2009	2008
IGM Financial Inc.		
Investors Group	7.4%	7.9%
Mackenzie	14.6%	18.7%
Counsel	11.6%	14.8%

The mutual fund industry and financial advisors continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility our Consultants and independent financial advisors play a key role in assisting investors to maintain perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 17 and are discussed in the Investors Group and Mackenzie Segment Operating Results sections of the MD&A.

OTHER RISK FACTORS

Distribution Risk

Investors Group Consultant Network – Investors Group derives all of its mutual fund sales through its Consultant network. Investors Group Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on Investors Group's results of operations and business prospects. Investors Group is focused on growing its distribution network of Consultants as discussed in the Investors Group Review of the Business section of the MD&A.

Mackenzie – Mackenzie derives substantially all of its mutual fund sales through independent financial advisors. Mackenzie's ability to market its products is highly dependent on access to various distribution channels. These intermediaries generally offer their clients investment products in addition to, and in competition with Mackenzie. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. However, Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading companies serving independent financial advisors. These factors are discussed further in the Mackenzie Review of the Business section of the MD&A.

The Regulatory Environment

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. The principal regulators of the Company and its subsidiaries are the Canadian Securities Administrators, the Mutual Fund Dealers Association of Canada, the Investment Industry Regulatory Organization of Canada and the Office of the Superintendent of Financial Institutions. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. Regulatory standards affecting the Company and the financial services industry are increasing. The Company and its subsidiaries are subject to regular regulatory reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages regulatory risk through its efforts to promote a strong culture of compliance. It monitors regulatory developments and their impact on the Company. It also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Company receives regular reporting on compliance initiatives and issues.

Particular regulatory initiatives may have the effect of making the products of the Company's subsidiaries

appear to be less competitive than the products of other financial service providers, to third party distribution channels and to clients. Regulatory differences that may impact the competitiveness of the Company's products include regulatory costs, tax treatment, disclosure requirements, transaction processes or other differences that may be as a result of differing regulation or application of regulation. While the Company and its subsidiaries actively monitor such initiatives, and where feasible comment upon or discuss them with regulators, the ability of the Company and its subsidiaries to mitigate the imposition of differential regulatory treatment of financial products or services is limited.

Contingencies

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Two proposed class actions related to alleged market timing trading activity in mutual funds of the companies have been initiated in Ontario and Quebec. Neither has been certified as a class action and, in January 2010, the Ontario court denied certification to the proposed Ontario action. At the date hereof, it is not known if the proposed class representative will appeal this denial of certification. A decision on certification of the Quebec action is pending. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Acquisition Risk

The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition is dependent on retaining assets under management, clients, and key employees of an acquired company.

Model Risk

The Company uses a variety of models to assist in: the valuation of financial instruments; operational scenario testing; management of cash flows; capital management; and, assessment of potential acquisitions. These models incorporate internal assumptions, observable market inputs and available market prices. Effective controls exist over the development, implementation and application of these models.

Outlook

THE FINANCIAL SERVICES ENVIRONMENT

At December 31, 2009, mutual fund industry assets in Canada were approximately $653.1 billion, an increase of 17.8% relative to December 31, 2008. This $98.5 billion increase in industry assets from December 31, 2008 reflected net cash inflow of $3.1 million, an estimated $92.9 billion in market appreciation and $2.5 billion related primarily to new reporting industry participants.

Global capital markets advanced from early March 2009 low levels in response to indicators that economic fundamentals were showing early signs of recovery. While there has been confirmation of improving economic conditions, the very nature of any recovery includes uncertainty as to the breadth, strength and durability and which could lead to further volatility.

In this context, the importance of a strong relationship with an advisor to keep focused on long-term financial goals is paramount. A primary theme in the Company's business model is to support financial advisors as they work with clients to plan for and achieve their financial goals.

Investors Group continues to respond to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice and its Consultants work with clients to help them understand the impact of financial market volatility on their long-term financial planning.

Mackenzie is maintaining its focus on delivering consistent long-term investment performance staying true to the multiple styles deployed in the investment process, while continuing to emphasize product innovation and communication with advisors and investors through this period of market volatility.

As Canadians deal with the current economic conditions, they will increasingly be focused on their short and long-term financial planning needs. IGM Financial continues to focus on its commitment to provide quality investment advice and financial products, service innovations, effective management of the Company and long-term value for its clients and shareholders.

In addition to current market conditions, the financial services industry continues to be influenced by:

- Shifting demographics as the number of Canadians in their prime savings years continue to increase.
- Changes in investor attitudes and strong preferences to deal through an advisor.
- Changes in the regulatory environment.
- An evolving competitive landscape.
- Advancing and changing technology.

Deregulation, competition and technology have fostered a trend towards financial service providers offering a comprehensive range of products and services in-house. Traditional distinctions between bank branches, full service brokerages, financial planning firms and insurance agent forces are obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf.

Investment funds, which include mutual funds, remain the most popular financial asset class relied upon by Canadians for their retirement savings, and they represent over one-third of Canadian long-term discretionary financial assets. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

THE COMPETITIVE LANDSCAPE

IGM Financial and its subsidiaries operate in a highly competitive environment. Investors Group and Investment Planning Counsel compete directly with other retail financial service providers, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Investors Group, Mackenzie and the Counsel Group of Funds compete directly with other investment managers for assets under management, and also compete with other asset classes, including stocks, bonds and other passive investment vehicles, for a share of the investment assets of Canadians.

Canadian banks remain a dominant force in Canadian retail financial services. The banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. In recent years, bank branches have increased their emphasis on both financial planning and mutual funds. In addition, each of the big six banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the big six bank-owned mutual fund managers and affiliated firms represented 38% of total industry long-term mutual fund assets at December 31, 2009.

Mutual fund dealers and other financial planning firms represent a significant distribution channel for mutual funds in Canada. The last several years have been characterized by significant consolidation in this

sector of the industry, with many of the larger firms being purchased by mutual fund managers and insurers. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

As a result of consolidation activity in the last several years, the Canadian mutual fund management industry is characterized by large, often vertically-integrated, firms. The industry continues to be very concentrated, with the ten largest firms and their subsidiaries representing 78.8% of industry long-term mutual fund assets and 78.9% of total mutual fund assets under management at December 31, 2009.

Management believes scale, access to distribution, and a broad product shelf are key competitive success factors in the financial services industry.

MEETING COMPETITIVE CHALLENGES

Management believes that IGM Financial is well-positioned to meet competitive challenges and capitalize on future opportunities. The Company enjoys several competitive strengths, including:

- Broad and diversified distribution with an emphasis on financial advisors.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Significant economies of scale.
- Being part of the Power Financial group of companies, which includes Great-West Life, London Life and Canada Life.

Broad and Diversified Distribution

IGM Financial's distribution strength is a competitive advantage. In addition to owning two of Canada's largest financial planning organizations, Investors Group and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing sub-advisory business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of retail investment fund mandates.

Broad Product Capabilities

During 2009, as discussed earlier within the segmented results, IGM Financial's subsidiaries continued to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

Enduring Relationships

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors enjoy with clients. In addition, the Company's subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

Significant Economies of Scale

At December 31, 2009, IGM Financial's total assets under management were $120.5 billion compared with $101.7 billion in 2008, an increase of 18.5%. Included in the Company's total assets under management were mutual fund assets of $100.4 billion at year end 2009 compared to $85.0 billion at year end 2008. Increases in mutual fund assets during 2009 were consistent with increases in assets in the mutual fund industry. IGM Financial enjoys a 15.3% share of industry mutual fund assets under management (2008 – 15.2%) and has 18% more long-term mutual fund assets than its nearest competitor. This scale continues to assist the Company in managing its resources effectively and developing long-term growth in its businesses.

Part of Power Financial Group of Companies

As part of the Power Financial group of companies, IGM Financial benefits through cost savings from shared service arrangements, as well as through access to distribution, products, and capital.

Critical Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the mutual fund and other financial services industries; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 1 of the Consolidated Financial Statements.

Critical accounting estimates relating to the fair value of financial instruments, goodwill and intangibles, income taxes and deferred selling commissions relate to both the Investors Group and Mackenzie reportable segments while critical accounting estimates relating to employee future benefits relate only to the Investors Group reportable segment.

The major critical accounting estimates are summarized below.

- *Fair value of financial instruments* – The Company's financial instruments are carried at fair value, except for loans and receivables which are carried at amortized cost. The fair value of publicly traded financial instruments is determined using published market prices. The Company also holds financial instruments, including retained interests in securitization trusts and related derivatives, where published market prices are not available. In these instances the values are determined using various valuation models. These valuation models maximize the use of observable market inputs where available; however, certain assumptions and estimates require management judgment including excess spread, prepayment rates, expected credit losses, and discount rates. Valuation methodologies and assumptions are reviewed on an ongoing basis. Changes in these assumptions or valuation methodologies could result in significant changes in net income.

  The Company's investment securities which are classified as available for sale are comprised of equity securities held for long-term investment, debt securities and investments in proprietary mutual funds. Unrealized gains and losses on securities that are not part of a designated hedging relationship are recorded in Other comprehensive income until realized or until the securities are other than temporarily impaired, at which time they are recorded in the Consolidated Statements of Income. Management regularly reviews the investment securities classified as available for sale to assess whether there has been an other than temporary decline in value. The Company considers such factors as the nature of the investment, the length of time and the extent to which the fair value has been below cost, the financial condition and near-term prospects of the issuer, and the Company's intent and ability to hold the investment to allow for the recovery of its fair value. A significant change in this assessment may result in unrealized losses being recognized in net income. In the fourth quarter of 2009, the Company recorded an OTTI charge of $73.3 million related to its common share portfolio as a result of market conditions. Refer to the Consolidated Financial Position and Financial Instruments sections of this MD&A and Notes 2 and 19 of the Consolidated Financial Statements for additional information.
- *Goodwill and intangible assets* – Goodwill, indefinite life intangible assets, and definite life intangible assets are reflected in Note 7 of the Consolidated Financial Statements. The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. Goodwill impairment testing is a two step process. Goodwill is first allocated to reporting units and impairment is assessed by comparing the value of a reporting unit to its carrying amount. If the fair value of the reporting unit exceeds its carrying value, no further testing is performed. If the fair value of the reporting unit is less than its carrying value, a second test is performed to compare the fair value of goodwill to its carrying value to determine the amount of impairment loss, if any. Indefinite life intangible assets are tested for impairment by comparing their fair value to their carrying amounts. Definite life intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

  These tests involve the use of estimates and assumptions appropriate in the circumstances. In assessing fair value, valuation models are used that include discounted cash flows, comparable acquisitions and industry trading multiples. The models use assumptions that include levels of

growth in assets under management from net sales and market, pricing and margin changes, synergies achieved on acquisition, discount rates, and observable data for comparable transactions.

The Company completed its annual impairment tests of goodwill and indefinite life intangible assets during the quarter ended June 30, 2009, based on March 31, 2009 financial information, and determined that there was no impairment in the value of those assets. During the fourth quarter of 2009, management's process of impairment review considered the impact of changing economic conditions and determined that an impairment test was not necessary.

- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Income. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and, as well, income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the future tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results and in Note 12 of the Consolidated Financial Statements.
- *Employee future benefits* – The Company maintains a number of employee future benefit plans. These plans include a funded registered defined benefit pension plan for all eligible employees, an unfunded supplementary executive retirement plan for certain executive officers and an unfunded post-retirement health care and life insurance plan for eligible retirees. The funded registered defined benefit pension plan provides pensions based on length of service and final average earnings.

Due to the long-term nature of these plans, the calculation of benefit expenses and obligations depends on various assumptions including discount rates, expected rates of return on assets, the level and types of benefits provided, healthcare cost trend rates, projected salary increases, retirement age, and mortality and termination rates. The discount rate assumption is determined using a yield curve of AA corporate debt securities. All other assumptions are determined by management and reviewed by independent actuaries who calculate the pension and other future benefits expenses and benefit obligations. Actual experience that differs from the actuarial assumptions will affect the amounts of the accrued benefit obligation and benefit expense.

The measurement date for the Company's defined benefit pension plan assets and benefit obligations is December 31. During 2009, the performance of the defined benefit pension plan assets was positively impacted by improving economic conditions. During 2009, pension plan assets grew to $206.9 million from $152.1 million at December 31, 2008. Market gains in 2009 accounted for $53.3 million of this increase compared to market losses of $51.2 million in 2008. Bond yields decreased in 2009 thereby impacting the discount rate used to measure the Company's benefit obligations. The discount rate utilized to value the defined benefit pension plan obligations at December 31, 2009 decreased to 6.75% from 7.50% at December 31, 2008. The decrease in the discount rate resulted in an actuarial loss of $26.5 million which partially offset asset gains described above. These actuarial gains and losses are amortized over the expected average remaining service life of employees which decreases the volatility to pension expense recognized each year. The total pension obligation was $163.5 million at December 31, 2009 compared to $127.5 million at December 31, 2008. As a result of these changes in the level of plan assets and the level of benefit obligations, the pension plan had a funding excess of $43.4 million at December 31, 2009 compared to an excess of $24.5 million at the end of 2008.

A change of 0.25% in the discount rate utilized in 2009 would result in a change of $6.5 million in the accrued benefit obligation and $0.8 million in pension expense. A change of 0.25% in the long-term rate of return on assets assumed for 2009 would result in a change of $0.4 million in pension expense. Additional information regarding the Company's accounting

for pensions and other post-retirement benefits is included in Notes 1 and 11 of the Consolidated Financial Statements.

- *Deferred selling commissions* – Commissions paid on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. The Company regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value. At December 31, 2009, there were no indications of impairment to deferred selling commissions.

CHANGES IN ACCOUNTING POLICIES

In August 2009, the Canadian Institute of Chartered Accountants (CICA) issued various amendments to CICA 3855, Financial Instruments – Recognition and Measurement including changes in the categories to which debt instruments are required or are permitted to be classified. Loans and receivables that the Company intends to sell immediately or in the near term are classified as held for trading. The Company has recorded $240.4 million of loans intended to be sold in the near term upon origination as held for trading and recorded an increase of $0.8 million to net income representing the mark to market adjustments on these loans.

In June 2009, the CICA issued amendments to CICA 3862, Financial Instruments – Disclosures to align with IFRS 7, Financial Instruments – Disclosures. The amendments require all financial instruments measured at fair value to be classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation. In addition, the amendments require enhanced disclosure regarding the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. The Company has included these disclosures in the annual Consolidated Financial Statements for the year ending December 31, 2009.

On January 1, 2009, the Company adopted CICA 3064, Goodwill and Intangible Assets. This standard contains revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have a significant impact on the Company's financial position or results of operations.

On January 1, 2008, the Company adopted CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital. See the Capital Resources section of this MD&A and Note 15 to the Consolidated Financial Statements for the disclosures required under CICA 1535.

On January 1, 2008, the Company adopted CICA 3862, Financial Instruments – Disclosure, and CICA 3863, Financial Instruments – Presentation, replacing CICA 3861. CICA 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks. CICA 3863 carries forward unchanged the presentation requirements of CICA 3861 with respect to financial instruments. See the Financial Instruments section of this MD&A and Note 17 to the Consolidated Financial Statements for the disclosures required under CICA 3862.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has announced that Canadian GAAP will be replaced by IFRS, as published by the International Accounting Standards Board (IASB). Publicly accountable enterprises will be required to adopt IFRS for fiscal periods beginning on or after January 1, 2011. The Company will commence reporting under IFRS in its initial interim Consolidated Financial Statements, including comparative information, for the quarter ended March 31, 2011.

The Company has developed an IFRS changeover plan which addresses key elements of the conversion to IFRS and includes a formal project governance structure. In addition to the project teams assigned to analyze specific accounting topics, there are oversight committees – a technical review committee comprised of financial managers from each of the Company's operating subsidiaries, an executive steering committee, and the Company's Audit Committee. The Company has developed appropriate levels of IFRS financial reporting expertise throughout the Company and its subsidiaries, and has engaged an external consultant to support this effort. The changeover plan consists of three primary phases:

Scoping and diagnostic

- This phase consists of: i) establishing the project structure, ii) providing initial training and education,

iii) developing a financial reporting solution for parallel accounting under IFRS and Canadian GAAP in 2010, and iv) identifying the key differences between Canadian GAAP and IFRS. This phase began in Q1 2008 and is substantially complete;

Impact analysis and design

- This phase consists of: i) quantifying the differences between Canadian GAAP and IFRS and selecting initial policy choices, ii) making preliminary elections under IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1), iii) testing and implementing parallel accounting for Canadian GAAP and IFRS, iv) continuing to analyze new and revised standards as they are issued, v) performing required impairment testing of goodwill and intangible assets as at January 1, 2010, vi) providing ongoing training and education on specific IFRS issues, vii) designing a communications plan, and viii) drafting shell IFRS financial statements and note disclosure. This phase began in December 2009 and is expected to be substantially complete in Q3 2010; and,

Implementation

- This phase will consist of: i) finalizing the Company's decisions under IFRS, ii) making final selections of the conversion elections available under IFRS 1, iii) completing 2011 financial statement disclosures, and iv) ensuring all elements of the communication plan are completed. The implementation phase is expected to be substantially completed once the Company has issued its Q1 2011 financial statements.

The Company is in the process of assessing and preparing to implement changes to accounting policies resulting from the transition to IFRS and has not finalized quantifying the effects of the differences between IFRS and Canadian GAAP. The Company is in the process of making its IFRS 1 elections; final decisions will be made as part of its phase 2 deliberations. The Company continues to monitor the development and interpretation of standards as well as industry practices. After substantially completing the scoping and diagnostic phase of the project, the Company has identified the following major differences:

- IFRS derecognition standards are undergoing revisions that are expected to significantly change the measurement criteria used to assess derecognition of financial instruments. The IASB has indicated its intention to issue a revised standard in the second half of 2010. The Company is in the process of assessing both the current IFRS standard and the deliberations regarding the revised standard to ensure the Company is in a position to adopt either standard. Under current IFRS, it is expected that fewer mortgage securitization structures would meet the criteria for derecognition, resulting in certain mortgages being recognized on the balance sheet with an associated liability. The IASB is currently redeliberating the March 2009 Derecognition exposure draft proposals and has published certain tentative conclusions that indicate the IASB is considering a model which has more similarities to Canadian GAAP. We are unable at this time to assess whether the new proposals will result in more derecognition than the current IFRS standards as the deliberations are currently ongoing.
- Deferred selling commissions are considered a definite life intangible asset and are amortized over their useful life. The IFRS standard for intangible assets more specifically addresses the approach to record amortization and disposals of intangible assets. When a mutual fund client redeems units in certain mutual funds, a redemption fee is paid by the client that is recorded as revenue by the Company. IFRS indicates that the remaining unamortized deferred selling commission asset attributable to the initial sale of the mutual fund units be recorded as a disposal by derecognizing the remaining carrying value of the deferred selling commission asset. The Company's current accounting policy is disclosed in Note 2 of the Company's Consolidated Financial Statements. Differences resulting from the application of the IFRS standard and Canadian GAAP may affect the timing of the amortization and/or the carrying value of the Company's deferred selling commissions.
- The IFRS Employee Benefits standard applies to a broader range of compensation arrangements than the comparable Canadian GAAP Employee Future Benefits standard and it includes pension plans, post retirement benefits and other long-term employee benefits. IFRS 1 provides an option on conversion to record unamortized actuarial gains and losses as a retained earnings adjustment. In addition, the standard provides an option to either record future actuarial gains and losses in Other Comprehensive Income or to amortize those gains and losses through the Income Statement. The amortization of long term employee benefits indicates a graded vesting amortization assumption may be appropriate in certain circumstances, whereas Canadian GAAP does not prescribe a specific amortization methodology.

The Company has analyzed its options under the current standard and will make final decisions in the last half of 2010. The Company will also consider the effect of the proposed revision to employee benefits standard that is to be released in 2010.

The IASB is currently undertaking several projects which will result in changes to existing IFRS standards that may affect the Company:

IFRS Standard	Expected date of issuance
Derecognition	Q3 2010 – Final Standard
Consolidations	Q3 2010 – Final Standard
Hedge Accounting	Q3 2010 – Final Standard
Impairment	Q4 2010 – Final Standard
Employee Benefits	Q1 2010 – Exposure Draft
Leases	Q1 2010 – Exposure Draft
Revenue Recognition	Q2 2010 – Exposure Draft
Financial Statement Presentation	Q2 2010 – Exposure Draft
Income Taxes	No timeline identified

Source: IASB website at iasb.org

The Company continues to monitor the changes proposed by the IASB and will be considering the impact any change in the standards may have on its operations and financial position, and the effect they may have on the Company's IFRS changeover plan.

The Company has developed and implemented changes to its financial reporting systems and processes to prepare the Company to effectively transition to IFRS at January 1, 2011. These include the design, testing, and implementation of general ledger changes and related controls to enable the Company to parallel account and report under both Canadian GAAP and IFRS during 2010. As each IFRS standard is analyzed and adopted, additional controls are developed and tested as appropriate. Once the final determination of all accounting policies is completed, changes to ensure the integrity of internal controls over financial reporting and disclosure controls and procedures will be assessed and implemented. These changes may include additional controls or procedures related to additional IFRS reporting requirements, changes in accounting processes, and first time reporting of IFRS financial results and related note disclosures. Throughout 2010, the Company will be testing its ability to prepare IFRS financial results and will compare them to the Canadian GAAP results, in order to test and validate the differences between IFRS and Canadian GAAP that are quantified during phase 2 of the project.

The effect on the Company's information technology, data systems, and financial reporting processes are being reviewed and updated to address IFRS requirements. This assessment considered systems beyond the Company's primary financial reporting system, the general ledger system. The assessment is being continually reviewed as IFRS accounting and reporting decisions are made.

In 2009, training sessions were held with the Company's financial staff, and quarterly education sessions and progress report meetings were held with the Company's financial managers, Disclosure Committee, and Audit Committee. Training and education plans and timelines have been established for 2010, and will be modified as necessary, based on the introduction of new IFRS standards, the Company's decisions related to accounting choices under IFRS and the effect of IFRS 1 elections made by the Company. These plans consider the training and education requirements of various internal constituents, which include: the financial staff of the Company and its subsidiaries, the Disclosure and Audit Committees, the Company's Board of Directors, and external users of the Company's financial reporting, including equity and debt analysts, credit rating agencies, shareholders, debtholders, and prospective investors.

The Company's overall IFRS changeover plan includes a component designed to assess the adoption of IFRS by the mutual funds sponsored and managed by the Company's operating subsidiaries. The mutual funds managed by the Company will issue their initial Financial Statements in accordance with IFRS, including comparative information, for the interim period ended September 30, 2011. Based on the current evaluation of the differences between Canadian GAAP and IFRS, the impact to the mutual funds is expected to be limited to additional financial statement note disclosure and presentation changes. No significant effect is expected on the net asset values used to determine the subscription and redemption price of the mutual funds.

Disclosure Controls and Procedures

Based on their evaluations as of December 31, 2009, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that (a) material information relating to the issuer is made known to the Co-Presidents and Chief Executive Officers and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared, and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Controls Over Financial Reporting

Based on their evaluations as of December 31, 2009, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's internal controls over financial reporting are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During the fourth quarter of 2009, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with Great-West Life, London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco. These transactions are in the normal course of business and have been recorded at the agreed upon exchange amounts as described below.

- The Company provided to and received from Great-West Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributed insurance products under a distribution agreement with Great-West Life and Canada Life and received $44.3 million in distribution fees (2008 – $39.7 million). The Company received $11.6 million (2008 – $13.0 million) related to the provision of sub-advisory services for certain Great-West Life, London Life and Canada Life segregated mutual funds. The Company paid $34.7 million (2008 – $34.1 million) to London Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential mortgage loans to third parties, on a fully serviced basis. During 2009, the Company sold residential mortgage loans to Great-West Life and London Life for $147.1 million compared to $143.4 million in 2008.

For further information on transactions involving related parties, see Notes 5 and 22 of the Consolidated Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2009 totalled 262,633,255. As at February 10, 2010, outstanding common shares totalled 262,612,478.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.

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Management's Responsibility for Financial Reporting

The consolidated financial statements of IGM Financial Inc. and related financial information have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with Canadian generally accepted accounting principles. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Company. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated by extensive internal audit programs, which are subject to scrutiny by the shareholders' auditors.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. The Board is assisted in discharging this responsibility by an Audit Committee, consisting of directors who are not officers or employees of the Company. This Committee reviews the consolidated financial statements and recommends them for approval by the Board. In addition, the Audit Committee reviews the recommendations of the internal auditor and the shareholders' auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with Management and with both the internal auditor and the shareholders' auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte & Touche LLP, independent auditors appointed by the shareholders, have examined the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards, and have expressed their opinion upon the completion of their examination in their Report to the Shareholders. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting and the adequacy of the systems of internal control.

Murray J. Taylor
Co-President and Chief Executive Officer

Charles R. Sims
Co-President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President, Finance

Auditors' Report

To the Shareholders, IGM Financial Inc.

We have audited the consolidated balance sheets of IGM Financial Inc. as at December 31, 2009 and 2008 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba
February 10, 2010

Consolidated Statements of Income

For the years ended December 31 *(in thousands of dollars, except shares and per share amounts)*	2009	2008
Fee and net investment income		
Management	**$ 1,646,636**	$ 1,867,223
Administration	**346,020**	349,249
Distribution	**257,427**	286,044
Net investment income and other	**62,207**	165,563
Total fee and net investment income	**2,312,290**	2,668,079
Operating expenses		
Commission expense	**808,482**	906,271
Non-commission expense	**614,222**	647,854
Interest expense	**109,864**	90,604
Total operating expenses	**1,532,568**	1,644,729
Income before income taxes	**779,722**	1,023,350
Income taxes *(Note 12)*	**220,630**	292,551
Net income	**$ 559,092**	$ 730,799
Average number of common shares *(in thousands) (Note 20)*		
– Basic	**263,217**	263,323
– Diluted	**264,324**	264,808
Earnings per share *(in dollars) (Note 20)*		
– Basic	**$ 2.12**	$ 2.78
– Diluted	**$ 2.12**	$ 2.76

(See accompanying notes to consolidated financial statements.)

Consolidated Balance Sheets

As at December 31 *(in thousands of dollars)*	2009	2008
Assets		
Cash and cash equivalents	**$ 945,081**	$ 1,232,171
Securities *(Note 2)*	**1,246,259**	537,653
Loans *(Note 3)*	**671,556**	589,564
Investment in affiliate *(Note 5)*	**598,221**	574,442
Deferred selling commissions	**850,082**	940,603
Other assets *(Note 6)*	**592,908**	660,623
Intangible assets *(Note 7)*	**1,128,280**	1,135,715
Goodwill *(Note 7)*	**2,613,532**	2,592,317
	$ 8,645,919	$ 8,263,088
Liabilities		
Deposits and certificates *(Note 8)*	**$ 907,343**	$ 958,999
Bankers' acceptances *(Note 9)*	**–**	286,615
Repurchase agreements *(Note 2)*	**629,817**	–
Other liabilities *(Note 10)*	**780,329**	936,807
Future income taxes *(Note 12)*	**328,617**	371,746
Long-term debt *(Note 13)*	**1,575,000**	1,200,000
Preferred shares *(Note 14)*	**–**	360,000
	4,221,106	4,114,167
Shareholders' Equity		
Share capital		
Perpetual preferred shares	**150,000**	–
Common shares	**1,562,925**	1,511,110
Contributed surplus	**32,702**	29,115
Retained earnings	**2,737,785**	2,781,755
Accumulated other comprehensive loss	**(58,599)**	(173,059)
	4,424,813	4,148,921
	$ 8,645,919	$ 8,263,088

(See accompanying notes to consolidated financial statements.)

On behalf of the Board

Murray J. Taylor
Director

Donald F. Mazankowski
Director

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31 *(in thousands of dollars)*	2009	2008
Share capital – Perpetual preferred shares *(Note 14)*		
Balance, beginning of year	$ –	$ –
Issue of perpetual preferred shares	150,000	–
Balance, end of year	150,000	–
Share capital – Common shares *(Note 14)*		
Balance, beginning of year	1,511,110	1,504,290
Issued on acquisition of non-controlling interest *(Note 24)*	41,225	–
Issued under stock option plan	21,059	22,996
Purchased for cancellation	(10,469)	(16,176)
Balance, end of year	1,562,925	1,511,110
Contributed surplus		
Balance, beginning of year	29,115	22,175
Stock options		
Current period expense	5,486	7,976
Exercised	(1,899)	(1,036)
Balance, end of year	32,702	29,115
Retained earnings		
Balance, beginning of year	2,781,755	2,678,618
Net income	559,092	730,799
Common dividends	(539,671)	(526,139)
Share issue costs *(Note 14)*	(3,406)	–
Common share cancellation excess and other *(Note 14)*	(59,985)	(101,523)
Balance, end of year	2,737,785	2,781,755
Accumulated other comprehensive income (loss) on:		
Available for sale securities		
Balance, beginning of year	(112,031)	18,334
Net unrealized gains (losses), *net of tax of $(8,833) and $22,114*	50,104	(120,845)
Reclassification adjustment for (gains) losses included in net income, *net of tax of $(10,074) and $(1,087)*	63,248	(9,520)
Balance, end of year	1,321	(112,031)
Investment in affiliate and other		
Balance, beginning of year	(61,028)	(60,434)
Other comprehensive income (loss), *net of tax of $16 and $nil*	1,108	(594)
Balance, end of year	(59,920)	(61,028)
Total accumulated other comprehensive income (loss), end of year	(58,599)	(173,059)
Total Shareholders' Equity	$ 4,424,813	$ 4,148,921

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Comprehensive Income

For the years ended December 31 *(in thousands of dollars)*	2009	2008
Net income	**$ 559,092**	$ 730,799
Other comprehensive income (loss), net of tax on:		
Available for sale securities	**113,352**	(130,365)
Investment in affiliate and other	**1,108**	(594)
Other comprehensive income (loss)	**114,460**	(130,959)
Comprehensive income	**$ 673,552**	$ 599,840

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Cash Flows

For the years ended December 31 *(in thousands of dollars)*	2009	2008
Operating activities		
Net income	**$ 559,092**	$ 730,799
Adjustments to determine net cash from operating activities		
Future income taxes	**(60,854)**	(29,290)
Commission amortization	**303,684**	319,305
Amortization of capital and intangible assets	**33,990**	31,603
Non-cash charge on available for sale securities	**76,506**	–
Proportionate share of affiliate's impairment charge *(Note 5)*	**–**	60,346
Proportionate share of affiliate's gain *(Note 5)*	**–**	(25,003)
Changes in operating assets and liabilities and other	**267**	(223,062)
	912,685	864,698
Commissions paid	**(213,163)**	(270,124)
	699,522	594,574
Financing activities		
Net (decrease) increase in deposits and certificates	**(51,656)**	102,104
(Repayment of) proceeds from bankers' acceptances	**(286,615)**	286,615
Decrease in short-term borrowings	**(99,967)**	–
Net increase in obligations related to assets sold under repurchase agreements	**629,817**	–
Issue of debentures	**375,000**	–
Redemption of preferred shares	**(374,400)**	–
Issue of perpetual preferred shares	**150,000**	–
Issue of common shares	**33,997**	21,960
Common shares purchased for cancellation	**(70,152)**	(118,207)
Common dividends paid	**(539,523)**	(513,205)
Share issue costs	**(3,406)**	–
	(236,905)	(220,733)
Investing activities		
Purchase of securities	**(1,357,345)**	(302,573)
Proceeds from the sale of securities	**699,404**	334,744
Net increase in loans	**(1,400,603)**	(1,491,559)
Proceeds from securitizations *(Note 4)*	**1,324,544**	1,441,370
Net additions to capital assets	**(8,791)**	(28,295)
Net additions to intangible assets	**(5,868)**	(10,926)
Acquisition of non-controlling interest *(Note 24)*	**(1,048)**	–
Acquisition of Saxon Financial Inc. *(Note 24)*	**–**	(264,715)
	(749,707)	(321,954)
(Decrease) increase in cash and cash equivalents	**(287,090)**	51,887
Cash and cash equivalents, beginning of year	**1,232,171**	1,180,284
Cash and cash equivalents, end of year	**$ 945,081**	$ 1,232,171
Cash	**$ 138,447**	$ 118,641
Cash equivalents	**806,634**	1,113,530
	$ 945,081	$ 1,232,171
Supplemental disclosure of cash flow information		
Amount of interest paid during the year	**$ 131,617**	$ 129,581
Amount of income taxes paid during the year	**$ 256,523**	$ 414,612

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

DECEMBER 31, 2009 AND 2008 *(In thousands of dollars, except shares and per share amounts)*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of IGM Financial Inc. (Company) have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates and assumptions

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Key components of the financial statements requiring management to make estimates include the fair value of financial instruments, goodwill, intangible assets, income taxes, deferred selling commissions and employee future benefits. Actual results may differ from such estimates.

Basis of consolidation

The Consolidated Financial Statements include the accounts of the Company and all subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. The equity method is used to account for the Company's investment in Great-West Lifeco Inc. (Lifeco), an affiliated company. Both companies are controlled by Power Financial Corporation.

Changes in accounting policies

In August 2009, the Canadian Institute of Chartered Accountants (CICA) issued various amendments to CICA 3855, Financial Instruments – Recognition and Measurement including changes in the categories to which debt instruments are required or are permitted to be classified. Loans and receivables that the Company intends to sell immediately or in the near term are classified as held for trading. The Company has recorded $240.4 million of loans intended to be sold in the near term upon origination as held for trading and recorded an increase of $0.8 million to net income representing the mark to market adjustments on these loans.

In June 2009, the CICA issued amendments to CICA 3862, Financial Instruments – Disclosures to align with IFRS 7, Financial Instruments – Disclosures. The amendments require all financial instruments measured at fair value to be classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation. In addition, the amendments require enhanced disclosure regarding the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. The Company has included these disclosures in the Consolidated Financial Statements for the year ending December 31, 2009.

On January 1, 2009, the Company adopted CICA 3064, Goodwill and Intangible Assets. This standard contains revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have a significant impact on the Company's financial position or results of operations.

On January 1, 2008, the Company adopted CICA 1535, Capital Disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital.

On January 1, 2008, the Company adopted CICA 3862, Financial Instruments – Disclosures and CICA 3863, Financial Instruments – Presentation, replacing CICA 3861. CICA 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks. CICA 3863 carries forward unchanged the presentation requirements of CICA 3861 with respect to financial instruments.

Revenue recognition

Management fees are based on the net asset value of mutual fund assets under management and are recognized on an accrual basis as the service is performed. Administration fees are also recognized on an accrual basis as the service is performed. Distribution revenue derived from mutual fund and securities transactions are recognized on a trade date basis. Distribution revenue derived from insurance and other financial services transactions are recognized on an accrual basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

All financial assets are classified in one of the following categories: available for sale, held to maturity, held for trading or loans and receivables. All financial assets are carried at fair value in the Consolidated Balance Sheets, except loans and receivables which are carried at amortized cost using the effective interest method. Financial liabilities are classified as either trading, which are carried at fair value, or other than held for trading, which are carried at amortized cost using the effective interest method.

Unrealized gains and losses on financial assets classified as available for sale and other comprehensive income amounts, including unrealized foreign currency translation gains and losses related to the Company's investment in its affiliate, are recorded in the Consolidated Statements of Comprehensive Income on a net of tax basis. Accumulated other comprehensive income forms part of Shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short-term maturities. Interest income is recorded on an accrual basis in Net investment income and other in the Consolidated Statements of Income.

Securities

Investment securities, which are recorded on a trade date basis, are classified as either available for sale or held for trading.

Available for sale securities comprise equity securities held for long-term investment, investments in proprietary mutual funds and fixed income securities. Realized gains and losses on disposal of available for sale securities, dividends declared, interest income, as well as the amortization of discounts or premiums using the effective interest method, are recorded in Net investment income and other in the Consolidated Statements of Income. Unrealized gains and losses on securities designated as part of a fair value hedging relationship are recorded in Net investment income and other in the Consolidated Statements of Income. Unrealized gains and losses on available for sale securities not designated as part of a hedging relationship are recorded in Other comprehensive income until they are realized or until management determines that there is objective evidence of impairment in value that is other than temporary, at which time they are recorded in the Consolidated Statements of Income.

Held for trading securities comprise Canada Mortgage Bonds, fixed income securities and National Housing Act Mortgage Backed Securities (NHA MBS). Unrealized and realized gains and losses on held for trading securities as well as interest income are recorded in Net investment income and other in the Consolidated Statements of Income.

Loans

Loans are classified as either held for trading or loans and receivables, based on the Company's intent to sell the loans in the near term.

Loans classified as held for trading are recorded at fair value, with changes in fair value recorded in Net investment income. Loans classified as loans and receivables are carried at amortized cost less an allowance for credit losses. Interest income is accounted for on the accrual basis using the effective interest method for all loans other than impaired loans and is recorded in Net investment income and other in the Consolidated Statements of Income.

A loan is classified as impaired when, in the opinion of management, there no longer is reasonable assurance of the timely collection of the full amount of principal and interest. A loan is also classified as impaired when interest or principal is contractually past due 90 days, except in circumstances where management has determined that the collectibility of principal and interest is not in doubt. Once a loan is classified as impaired, any accrued and unpaid interest income is reversed and charged against interest income in the current period. Thereafter interest income is recognized on a cash basis.

The Company maintains an allowance for credit losses which is considered adequate by management to absorb all credit related losses in its portfolio. Specific allowances are established as a result of reviews of individual loans. There is a second category of allowance, the designated general allowance, which is allocated against sectors rather than specifically against individual loans. This allowance is established where a prudent assessment by management suggests that losses have occurred but where such losses cannot yet be identified on an individual loan basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Securitizations

The Company periodically sells residential mortgages through Canada Mortgage and Housing Corporation (CMHC) utilizing the National Housing Act Mortgage Backed Securities program (NHA MBS) or through Canadian bank sponsored securitization trusts that in turn issue securities to investors. NHA MBS are sold to a trust that issues securities to investors through the Canada Mortgage Bond Program (CMB Program), which is sponsored by CMHC. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. The Company also sells NHA-insured mortgages through the issuance of mortgage-backed securities.

Transfers of loans are accounted for as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. The loans are removed from the Consolidated Balance Sheets and a gain or loss is recognized in income immediately based on the carrying value of the loans transferred. The carrying value is allocated between the assets transferred and the retained interests in proportion to their fair values at the date of transfer. To obtain the fair value of the Company's retained interests, quoted market prices are used if available. However, since quotes are generally not available for retained interests, the estimated fair value is based on the present value of future expected cash flows using management's best estimates of key assumptions such as prepayment rates, excess spread, expected credit losses and discount rates commensurate with the risks involved. Retained interests are classified as held for trading and any realized or unrealized gains and losses are recorded in Net investment income and other in the Consolidated Statements of Income. The Company continues to service the loans transferred. As a result, a servicing liability is recognized and amortized over the expected term of the transferred loans as servicing fees.

For all sales of loans, the gains or losses and the servicing fee revenue are reported in Net investment income and other in the Consolidated Statements of Income. The retained interests in the securitized loans are recorded in Other assets and the servicing liability is recorded in Other liabilities on the Consolidated Balance Sheets.

Deferred selling commissions

Commissions paid on the sale of certain mutual funds are deferred and amortized over a maximum period of seven years. Commissions paid on the sale of deposits are deferred and amortized over a maximum amortization period of five years. The Company regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by the Company to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value. At December 31, 2009, there were no indications of impairment to deferred selling commissions.

Capital assets

Capital assets, which are included in Other assets, are recorded at cost of $266.0 million (2008 – $257.2 million), less accumulated amortization of $175.8 million (2008 – $163.2 million). Buildings and related equipment and furnishings are amortized on a straight-line basis over their estimated useful lives, which range from 2 to 7 years for equipment and furnishings and 50 years for the building. Capital assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill and intangible assets

The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired. Goodwill impairment testing is a two step process. Goodwill is first allocated to reporting units and impairment is assessed by comparing the value of a reporting unit to its carrying amount. If the fair value of the reporting unit exceeds its carrying value, no further testing is performed. If the fair value of the reporting unit is less than its carrying value, a second test is performed to compare the fair value of goodwill to its carrying value to determine the amount of impairment loss, if any. Indefinite life intangible assets are tested for impairment by comparing their fair value to their carrying amounts. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, not exceeding a period of 20 years. Definite life intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

These tests involve the use of estimates and assumptions appropriate in the circumstances. In assessing fair value, valuation models are used that include discounted cash flows, comparable acquisitions and industry trading multiples. The models use assumptions that include levels of growth in assets under management from net sales and market, pricing and margin changes, synergies achieved on acquisition, discount rates, and observable data for comparable transactions. The Company has completed its annual impairment testing on goodwill and indefinite life intangible assets and has determined that no impairment charge was necessary.

Employee future benefits

The Company maintains a number of employee future benefit plans. These plans include a funded defined benefit pension plan for all eligible employees, an unfunded supplementary executive retirement plan (SERP) for certain executive officers, and an unfunded post-retirement health care and life insurance plan for eligible retirees.

The defined benefit pension plan provides pensions based on length of service and final average earnings. An actuarial valuation is performed for funding purposes every three years. The most recent actuarial valuation was completed as at December 31, 2007 and the next required valuation is as at December 31, 2010.

The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service based upon management's assumptions about the expected long-term rate of return on plan assets, discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. The discount rate used to value liabilities is based on market rates at the measurement date. The defined benefit pension plan assets are invested in proprietary equity, balanced and fixed income mutual funds and are valued at fair value for purposes of calculating the expected long-term rate of return.

Benefit expense or income, which is included in Non-commission expense, includes the cost of pension or other post-retirement benefits provided in respect of the current year's service, interest cost on the accrued benefit liability, the expected return on plan assets and the amortization of actuarial gains or losses. Actuarial gains or losses with respect to the defined benefit pension plan and other post-retirement benefits are amortized over the expected average remaining service life of employees. Actuarial gains or losses with respect to the SERP are amortized over the expected remaining life of the members of the plan. These periods range from 9 to 18 years for the various benefit plans.

The accrued benefit asset or liability represents the cumulative difference between the expense and funding contributions and is included in Other assets or Other liabilities.

Stock-based compensation and other stock-based payments

The Company uses the fair value based method to account for stock options granted to employees. The fair value of stock options is determined on each grant date. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase in Contributed surplus. When stock options are exercised, the proceeds together with the amount recorded in Contributed surplus are added to Share capital.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes

The Company uses the liability method in accounting for income taxes whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are anticipated to be in effect when the temporary differences are expected to reverse.

Earnings per share

Basic earnings per share is determined by dividing Net income by the average number of common shares outstanding for the year. Diluted earnings per share is determined using the same method as basic earnings per share except that the average number of common shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Company as determined by the treasury method.

Derivative financial instruments

Derivative financial instruments are utilized by the Company in the management of equity market and interest rate risks. The Company does not utilize derivative financial instruments for speculative purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the Consolidated Balance Sheets or to anticipated future transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments are recorded at fair value in the Consolidated Balance Sheets and the changes in fair value are recorded in the Consolidated Statements of Income.

The Company manages its exposure to market risk on its securities portfolio by either entering into forward sale contracts, purchasing a put option or by simultaneously purchasing a put option and writing a call option on the same security. Derivative instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness offset the changes in fair values or cash flows of hedged items. A hedge is designated either as a cash flow hedge or a fair value hedge. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the Consolidated Statements of Income. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which is reclassified to the Consolidated Statements of Income when the hedged item affects earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge is recorded in the Consolidated Statements of Income.

The Company enters into interest rate swaps as part of its mortgage banking and intermediary operations. These swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. Changes in fair value are recorded in Net investment income and other in the Consolidated Statements of Income.

The Company also enters into total return swaps to manage its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements. Total return swap agreements require the periodic exchange of net contractual payments without the exchange of the notional principal amounts on which the payments are based. These instruments are not designated as hedges. Changes in fair value are recorded in Non-commission expense in the Consolidated Statements of Income.

Non-qualifying derivatives or derivatives not designated as hedges continue to be utilized on a basis consistent with the risk management policies of the Company and are monitored by the Company for effectiveness as economic hedges even if specific hedge accounting requirements are not met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

Future accounting changes

The Canadian Accounting Standards Board has announced that Canadian GAAP will be replaced by International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board. Publicly accountable enterprises will be required to adopt IFRS on or by January 1, 2011. The Company will issue its initial Consolidated Financial Statements under IFRS, including comparative information, for the quarter ended March 31, 2011.

2. SECURITIES

	December 31, 2009		December 31, 2008	
	COST	FAIR VALUE	COST	FAIR VALUE
Available for sale:				
Common shares	**$ 236,383**	**$ 237,085**	$ 404,928	$ 261,769
Investments in proprietary mutual funds	**41,259**	**41,341**	33,360	28,518
Fixed income securities	**314,260**	**315,387**	229,969	231,289
	591,902	**593,813**	668,257	521,576
Held for trading:				
Canada Mortgage Bonds	**647,318**	**624,703**	–	–
Fixed income securities	**31,443**	**27,743**	–	–
NHA MBS *(Note 4)*	**–**	**–**	15,788	16,077
	678,761	**652,446**	15,788	16,077
	$ 1,270,663	**$ 1,246,259**	$ 684,045	$ 537,653

Common shares (Available for sale)

The Company holds a diversified portfolio of securities that consists primarily of well-capitalized, dividend-paying Canadian common shares that are included in the S&P TSX 60 Index. Improvements in the equity markets during 2009 reduced the unrealized losses that arose primarily in the latter part of 2008. The S&P TSX 60 Index increased by 30.7% during the year ended December 31, 2009 and 55.2% from its March 9, 2009 low. The Company's common share portfolio had a similar increase in fair value to September 30, 2009. At September 30, 2009, unrealized losses on common shares were $72.2 million compared with $143.8 million at the end of 2008. Unrealized losses at December 31, 2009 were relatively unchanged from September 30, 2009 levels and totalled $73.3 million.

Common shares are reviewed periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of impairment in value that is other than temporary. Factors that are considered include the length of time and the extent to which the fair value has been below cost, the financial condition and near term prospects of the issuer, as well as the Company's intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery. Common shares which have had an unrealized loss for a prolonged period of time were considered to be other than temporarily impaired. The other than temporary impairment charge of $73.3 million was reclassified from Other comprehensive income to the Consolidated Statements of Income at December 31, 2009.

As a result, net unrealized gains on common shares were $0.7 million at December 31, 2009 compared with net unrealized losses of $143.2 million at December 31, 2008. Unrealized gains as at December 31, 2009 on common shares are reported in Accumulated other comprehensive income.

2. SECURITIES *(continued)*

Fixed income securities (Available for sale)

The Company holds a diversified portfolio of fixed income securities totalling $315.4 million at December 31, 2009 which is comprised primarily of bankers' acceptances of $162.3 million, Canadian chartered bank senior deposit notes and floating rate notes of $89.0 million and $5.0 million respectively, government guaranteed short-term investments of $20.0 million and corporate bonds of $38.6 million.

Canada Mortgage Bonds (Held for trading)

As part of the Company's interest rate risk management activities relating to its mortgage banking operations, the Company purchased Canada Mortgage Bonds during the year ended December 31, 2009. These securities were subsequently sold under repurchase agreements which represent short-term funding transactions where the Company sells securities that it owns and commits to repurchase these securities at a specified price on a specified date in the future. These securities have a fair value of $624.7 million. The obligation to repurchase the securities is recorded at amortized cost and has a carrying value of $629.8 million. The interest expense related to these obligations is recorded on an accrual basis in Net investment income and other in the Consolidated Statements of Income.

Fixed income securities (Held for trading)

Fixed income securities of $27.7 million at December 31, 2009 are comprised of non-bank-sponsored asset-backed commercial paper (ABCP). The Company's original investment in ABCP totalled $50.2 million and was initially classified as available for sale. In 2008, the Company reduced the fair value of the ABCP by recording charges to income totalling $14.9 million and recorded a further $3.7 million charge in the first quarter of 2009. During 2009, the Company's investment in ABCP was reduced by $3.9 million, representing principal and interest payments received from the ABCP conduit trusts.

The court approved restructuring plan proposed by the Pan-Canadian Investors Committee was implemented on January 21, 2009. This restructuring resulted in conversion of the Company's ABCP holdings into longer-term securities which are classified as held for trading. The Company received four classes of notes with an expected maturity date of January 22, 2017, as well as five classes of tracking notes linked to specific underlying assets. In excess of 75% of the Company's new notes are comprised of Class A-1 and Class A-2 notes which have been assigned a rating of A by the Dominion Bond Rating Service.

The Company's valuation of the ABCP was based on its assessment of the prevailing conditions at December 31, 2009. The estimated fair value reflects the allocation of the floating rate notes the Company received which are expected to mature in January 2017. The Company estimated the fair value of the senior and subordinated notes by discounting the expected cash flows at yields comparable to prevailing market yields and credit spreads available for securities with similar characteristics to the restructured notes and other market inputs reflecting the Company's best available information. The fair value of the Ineligible Asset Tracking long-term floating rate notes was estimated using observable market inputs from independent pricing sources or by discounted expected cash flows reflecting the Company's best available information, including reference to prevailing market yields on debt instruments in the Canadian market. As at December 31, 2009, an increase in the estimated discount rates of 100 basis points would reduce net income by $2.4 million.

3. LOANS

Loans and receivables	Term to maturity: 1 year or less	1–5 years	Over 5 years	2009 total	2008 total
Residential mortgages	$ 41,278	$ 89,056	$ 1,748	$ 132,082	$ 286,302
Commercial mortgages	–	423	–	423	717
	41,278	89,479	1,748	132,505	287,019
Investment loans	276,055	14,350	14,930	305,335	310,517
	$ 317,333	$ 103,829	$ 16,678	437,840	597,536
Less: General allowance				6,675	7,972
				431,165	589,564
Held for trading				240,391	–
				$ 671,556	$ 589,564
Impaired loans included above				$ 762	$ 498
Less: General allowance				6,675	7,972
				$ (5,913)	$ (7,474)

The change in the allowance for credit losses is as follows:	2009	2008
Balance, beginning of year	$ 7,972	$ 7,631
Write-offs	(371)	(218)
Recoveries	231	55
Provision for credit losses	(1,157)	504
Balance, end of year	$ 6,675	$ 7,972

4. SECURITIZATIONS

The Company securitizes residential mortgages through CMHC utilizing the NHA MBS program or through Canadian bank sponsored securitization trusts. NHA MBS are sold to a trust that issues securities to investors through the CMHC-sponsored CMB Program. Pre-tax gains (losses) on the sale of mortgages are reported in Net investment income and other in the Consolidated Statements of Income. Securitization activities for the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
Residential mortgages securitized	$ 1,332,065	$ 1,451,201
Net cash proceeds	1,324,544	1,441,370
Fair value of retained interests	65,098	63,779
Pre-tax gain on sales	49,467	35,772

4. SECURITIZATIONS *(continued)*

The Company's retained interest in the securitized loans includes cash reserve accounts and rights to future excess spread. This retained interest is subordinated to the interests of the related CMHC or Canadian bank sponsored securitization trusts (CP conduits) and NHA MBS holders (the Purchasers). The Purchasers do not have recourse to the Company's other assets for any failure of the borrowers to pay when due.

The present value of future expected cash flows are used to fair value the retained interests. The key economic assumptions at the date of securitization issuances for CMHC or Canadian bank sponsored securitization trusts transactions completed during 2009 and 2008 were as follows:

	2009	2008
Weighted-average		
Remaining service life *(in years)*	**4.4**	4.5
Excess spread	**1.16%**	1.09%
Prepayment rate	**15.00%**	15.00%
Discount rate	**1.66%**	4.14%
Servicing fees	**0.15%**	0.25%
Expected credit losses	**–**	0.01%

At December 31, 2009, the fair value of the total retained interests was $173.5 million (2008 – $201.4 million). The sensitivity to immediate 10% or 20% adverse changes to key assumptions was not considered material.

The total loans reported on the Company's Consolidated Balance Sheets, the securitized loans serviced by the Company, as well as cash flows related to securitization arrangements are as follows:

	2009	2008
Mortgages	**$ 3,641,331**	$ 3,225,928
Investment loans	**301,711**	306,811
	3,943,042	3,532,739
Less: Securitized loans serviced	**3,271,486**	2,943,175
Total on-balance sheet loans	**$ 671,556**	$ 589,564
Net cash proceeds	**$ 1,324,544**	$ 1,441,370
Cash flows received on retained interests	**$ 90,466**	$ 32,518

5. INVESTMENT IN AFFILIATE

	2009	2008
Carrying value, beginning of year	**$ 574,442**	$ 560,683
Proportionate share of earnings and other	**69,423**	90,423
Dilution gain	**–**	4,241
Proportionate share of affiliate's impairment charge	**–**	(60,346)
Proportionate share of affiliate's gain	**–**	25,003
Dividends received	**(46,478)**	(45,345)
Proportionate share of accumulated other comprehensive income (loss) and other adjustments	**834**	(217)
Carrying value, end of year	**$ 598,221**	$ 574,442
Share of equity, end of year	**$ 464,525**	$ 440,820
Fair value, end of year	**$ 1,013,458**	$ 781,821

The Company's proportionate share of Lifeco's earnings is recorded in Net investment income and other in the Consolidated Statements of Income. At December 31, 2009, the Company held 37,787,388 (2008 – 37,787,388) shares of Lifeco, which represented an equity interest of 4.0% (2008 – 4.0%).

On December 30, 2008, Lifeco issued common shares by way of private placement with proceeds of $1.0 billion, in which the Company did not participate. As a result of the common shares issued by Lifeco, a dilution gain of $4.2 million (net of $7.2 million of goodwill disposed) was recognized in the fourth quarter of 2008 and was recorded in Net investment income and other in the Consolidated Statements of Income.

In the fourth quarter of 2008, Putnam LLC, a subsidiary of Lifeco in the United States division, recorded a non-cash impairment charge on indefinite life intangibles and goodwill. In addition, Lifeco wrote-off a future tax asset related to the intangible and goodwill impairment charge and recorded restructuring costs associated with Putnam LLC. The Company's proportionate share of the after-tax impairment charge and related expenses was $60.3 million.

In the second quarter of 2008, Lifeco recorded an after-tax gain on the sale of its healthcare business, Great-West Healthcare. Lifeco reported the gain in Net income from discontinued operations in the Summary of Consolidated Operations included in Lifeco's interim Consolidated Financial Statements. The Company's proportionate share of the after-tax gain on the sale was $25.0 million.

6. OTHER ASSETS

	2009	2008
Accounts and other receivables	**$ 250,328**	$ 252,546
Derivative instruments *(Note 18)*	**120,445**	193,248
Capital assets	**90,167**	94,025
Deferred and prepaid expenses	**64,017**	38,735
Accrued benefit asset *(Note 11)*	**48,802**	46,738
Funds held in escrow	**16,683**	32,842
Other	**2,466**	2,489
	$ 592,908	$ 660,623

7. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill are as follows:

2009	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Balance, beginning of year	**$ 1,347,781**	**$ 1,166,842**	**$ 77,694**	**$ 2,592,317**
Acquired during the year *(Note 24)*	**–**	**–**	**32,594**	**32,594**
Goodwill adjustment	**–**	**–**	**(11,379)**	**(11,379)**
Balance, end of year	**$ 1,347,781**	**$ 1,166,842**	**$ 98,909**	**$ 2,613,532**

2008	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Balance, beginning of year	$ 1,347,781	$ 957,339	$ 78,678	$ 2,383,798
Acquired during the year *(Note 24)*	–	201,651	–	201,651
Goodwill adjustment	–	7,852	(984)	6,868
Balance, end of year	$ 1,347,781	$ 1,166,842	$ 77,694	$ 2,592,317

The components of other intangible assets are as follows:

2009	COST	ACCUMULATED AMORTIZATION	CARRYING VALUE
Finite-life			
Software	**$ 66,076**	**$ (43,187)**	**$ 22,889**
Distribution and other management contracts	**104,622**	**(21,730)**	**82,892**
	170,698	**(64,917)**	**105,781**
Indefinite-life			
Mutual fund management contracts	**737,322**	**–**	**737,322**
Trade names	**285,177**	**–**	**285,177**
	1,022,499	**–**	**1,022,499**
Total	**$ 1,193,197**	**$ (64,917)**	**$ 1,128,280**

2008	COST	ACCUMULATED AMORTIZATION	CARRYING VALUE
Finite-life			
Software	$ 59,924	$ (34,579)	$ 25,345
Distribution and other management contracts	104,906	(14,672)	90,234
	164,830	(49,251)	115,579
Indefinite-life			
Mutual fund management contracts	734,959	–	734,959
Trade names	285,177	–	285,177
	1,020,136	–	1,020,136
Total	$ 1,184,966	$ (49,251)	$ 1,135,715

8. DEPOSITS AND CERTIFICATES

Deposits and certificates are classified as other than held for trading and are carried at amortized cost.

Included in the assets of the Consolidated Balance Sheets are cash and cash equivalents, securities and loans amounting to $907.3 million (2008 – $959.0 million) related to deposits and certificates.

		TERM TO MATURITY				
	DEMAND	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	2009 TOTAL	2008 TOTAL
Deposits	$ 695,367	$ 70,822	$ 134,344	$ 2,104	$ 902,637	$ 954,109
Certificates	–	472	1,467	2,767	4,706	4,890
	$ 695,367	$ 71,294	$ 135,811	$ 4,871	$ 907,343	$ 958,999

9. BANKERS' ACCEPTANCES

In 2008, a Schedule I Canadian chartered bank provided the Company with a non-revolving bridge credit facility related to the acquisition of Saxon Financial Inc. The credit facility was repaid during April 2009.

10. OTHER LIABILITIES

	2009	2008
Accounts payable and accrued liabilities	$ 330,893	$ 361,175
Derivative instruments *(Note 18)*	112,747	172,327
Dividends payable	134,609	134,462
Short-term borrowings	–	99,967
Taxes payable	97,592	71,676
Interest payable	28,252	20,840
Accrued benefit liabilities *(Note 11)*	61,462	62,469
Deferred revenue	14,774	13,891
	$ 780,329	$ 936,807

11. EMPLOYEE FUTURE BENEFITS

The Company maintains a number of employee future benefit plans. These plans include a funded defined benefit pension plan for all eligible employees, an unfunded supplementary executive retirement plan (SERP) for certain executive officers, and an unfunded post-retirement health care, dental and life insurance plan for eligible retirees.

In 2009, the terms of the post-retirement health care, dental and life insurance plan were amended. The amendment reduced the level of post-retirement benefits to be provided to certain active employees to be paid during retirement, and revised the eligibility requirements for receiving benefits for certain other active employees. The reduction in benefits results in the establishment of a negative past service cost that is being amortized over the average remaining service lives until full eligibility for the benefits of these certain active employees. A curtailment gain has been recognized to reflect the impact of the changes in the plan's eligibility requirements.

	2009			2008		
	DEFINED BENEFIT PENSION PLAN	**SERP**	**OTHER POST-RETIREMENT BENEFITS**	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS
Fair value of plan assets						
Balance, beginning of year	**$ 152,059**	**$ –**	**$ –**	$ 207,702	$ –	$ –
Employee contributions	**3,676**	**–**	**–**	3,522	–	–
Employer contributions	**5,443**	**–**	**–**	–	–	–
Benefits paid	**(7,597)**	**–**	**–**	(7,927)	–	–
Actual return on plan assets	**53,343**	**–**	**–**	(51,238)	–	–
Balance, end of year	**206,924**	**–**	**–**	152,059	–	–
Accrued benefit obligation						
Balance, beginning of year	**127,523**	**14,732**	**38,002**	157,111	17,803	47,503
Benefits paid	**(7,597)**	**(948)**	**(1,192)**	(7,927)	(947)	(826)
Current service cost	**3,872**	**–**	**551**	6,722	–	2,345
Employee contributions	**3,676**	**–**	**–**	3,522	–	–
Interest cost	**9,562**	**1,061**	**1,657**	8,816	974	2,728
Past service cost	**–**	**–**	**(14,710)**	–	–	–
Curtailment gain	**–**	**–**	**(97)**	–	–	–
Actuarial losses (gains)	**26,506**	**1,977**	**2,548**	(40,721)	(3,098)	(13,748)
Balance, end of year	**163,542**	**16,822**	**26,759**	127,523	14,732	38,002
Funded status – plan surplus (deficit)	**43,382**	**(16,822)**	**(26,759)**	24,536	(14,732)	(38,002)
Unamortized net actuarial losses (gains)	**5,420**	**(234)**	**(4,414)**	22,202	(2,089)	(7,646)
Unamortized past service cost	**–**	**–**	**(13,233)**	–	–	–
Accrued benefit asset (liability)	**$ 48,802**	**$ (17,056)**	**$ (44,406)**	$ 46,738	$ (16,821)	$ (45,648)

The asset allocation by asset category of the funds invested for the defined benefit pension plan is equity securities 66% (2008 – 76%), fixed income securities 31% (2008 – 22%) and cash equivalents 3% (2008 – 2%).

11. EMPLOYEE FUTURE BENEFITS *(continued)*

	2009			2008		
	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST-RETIREMENT BENEFITS
Benefit (income) expense was determined as follows:						
Current service cost	$ 3,872	$ –	$ 551	$ 6,722	$ –	$ 2,345
Past service cost	–	–	(1,477)	–	–	–
Interest cost on accrued benefit obligation	9,562	1,061	1,657	8,816	974	2,728
Expected return on plan assets	(10,697)	–	–	(14,385)	–	–
Curtailment gain	–	–	(69)	–	–	–
Amortization of net actuarial (gains) losses	642	122	(712)	(2,366)	291	403
	$ 3,379	$ 1,183	$ (50)	$ (1,213)	$ 1,265	$ 5,476
Significant weighted-average actuarial assumptions:						
Discount rate	6.75%	6.38%	6.20%	7.50%	7.44%	7.51%
Expected long-term rate of return on plan assets	7.00%	N/A	N/A	7.00%	N/A	N/A
Rate of compensation increase	4.76%	N/A	N/A	3.96%	N/A	N/A
Health care cost trend rate(1)	N/A	N/A	6.80%	N/A	N/A	5.50%

(1) Trending to 4.50% in 2029 and remaining at that rate thereafter.

The effect of a 1% increase in assumed health care cost trend rates would be an increase in the accrued other post-retirement benefit obligation of $1.9 million as at December 31, 2009. The increase in the 2009 other post-retirement benefit expense would not be significant. A decrease of 1% in assumed health care cost trend rates would result in a decrease in the accrued other post-retirement benefit obligation of $1.6 million as at December 31, 2009. The decrease in the 2009 other post-retirement benefit expense would not be significant.

In addition, the Company maintains a group RSP available only to certain employees. In 2009, the Company's contributions were $6.2 million (2008 – $5.7 million). The contributions are expensed as paid.

12. INCOME TAXES

The Company's effective income tax rate is derived as follows:

	2009	2008
Income taxes at Canadian federal and provincial statutory rates	**31.60%**	32.37%
Effect of:		
Dividend income	**(0.42)**	(0.49)
Net capital gains and losses	**(0.09)**	(0.35)
Proportionate share of affiliate's earnings *(Note 5)*	**(2.80)**	(3.01)
Preferred dividends paid	**0.84**	0.67
Other items	**(0.45)**	(1.72)
Effect of rate changes on future income taxes related to indefinite life intangible assets	**(2.28)**	–
Non-cash charge on available for sale securities	**1.32**	–
Premium paid on redemption of preferred shares	**0.58**	–
Proportionate share of affiliate's impairment charge *(Note 5)*	**–**	1.92
Proportionate share of affiliate's gain *(Note 5)*	**–**	(0.80)
Effective income tax rate	**28.30%**	28.59%
Components of income tax expense are:		
Current income taxes	**$ 281,484**	$ 321,841
Future income taxes	**(60,854)**	(29,290)
	$ 220,630	$ 292,551

Future income taxes consist of the following taxable temporary differences:

	2009	2008
Future income tax assets		
Accrued benefit liabilities	**$ 16,488**	$ 16,949
Non-capital loss carry forwards	**7,195**	11,253
Other	**47,015**	63,437
	70,698	91,639
Future income tax liabilities		
Deferred selling commissions	**239,685**	283,434
Intangible assets	**137,682**	156,568
Accrued benefit asset	**12,991**	12,738
Other	**8,957**	10,645
	399,315	463,385
Future income taxes	**$ 328,617**	$ 371,746

As at December 31, 2009, the Company has non-capital losses of $36.3 million (2008 – $42.2 million) available to reduce future taxable income, the benefits of which have not been recognized. If not utilized, these losses will expire in 2014.

13. LONG-TERM DEBT

	RATE	MATURITY	2009	2008
Debentures in Series				
1997	6.65%	December 13, 2027	$ 125,000	$ 125,000
2001	6.75%	May 9, 2011	450,000	450,000
2001	7.45%	May 9, 2031	150,000	150,000
2002	7.00%	December 31, 2032	175,000	175,000
2003	6.58%	March 7, 2018	150,000	150,000
2003	7.11%	March 7, 2033	150,000	150,000
2009	7.35%	April 8, 2019	375,000	–
			$ 1,575,000	$ 1,200,000

The debentures are redeemable by the Company, in whole or in part, at any time, at the greater of par and a formula price based upon yields at the time of redemption.

Long-term debt is classified as other than held for trading and is carried at amortized cost.

On April 7, 2009, the Company issued $375.0 million of 7.35% debentures maturing April 8, 2019. During April 2009, the Company utilized $287.0 million of the debenture proceeds to repay the bankers' acceptances due October 27, 2009 which were related to the acquisition of Saxon Financial Inc.

Interest expense relating to long-term debt was $103.4 million (2008 – $83.1 million).

There is one principal payment due in the next five years related to the $450.0 million debentures due in 2011.

14. SHARE CAPITAL

Authorized

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares

Issued and outstanding

	2009		2008	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Preferred shares – classified as liabilities:				
First preferred shares, Series A	–	$ –	14,400,000	$ 360,000
Perpetual preferred shares – classified as equity:				
First preferred shares, Series B	6,000,000	$ 150,000	–	$ –
Common shares:				
Balance, beginning of year	262,364,622	$ 1,511,110	264,192,998	$ 1,504,290
Issued on acquisition of non-controlling interest *(Note 24)*	1,108,901	41,225	–	–
Issued under Stock Option Plan *(Note 16)*	922,532	21,059	996,424	22,996
Purchased for cancellation	(1,762,800)	(10,469)	(2,824,800)	(16,176)
Balance, end of year	262,633,255	$ 1,562,925	262,364,622	$ 1,511,110

14. SHARE CAPITAL *(continued)*

Preferred shares – classified as liabilities

On December 31, 2009, the Company redeemed the 14,400,000 Series A, 5.75% first preferred shares at $26.00 per share.

These preferred shares were entitled to a fixed 5.75% annual non-cumulative dividend payable quarterly and were redeemable by the Company on or after June 30, 2009 in cash, at $26.00 per share if redeemed prior to June 30, 2010. Dividends paid on preferred shares classified as liabilities are recorded in Interest expense in the Consolidated Statements of Income.

Perpetual preferred shares – classified as equity

On December 8, 2009, the Company issued 6,000,000 Series B, 5.90% non-cumulative first preferred shares at $25.00 per share. The shares are redeemable at the option of the Company on and after December 31, 2014, for $25.00 per share plus a premium if redeemed prior to December 31, 2018, in each case including all declared and unpaid dividends prior to the redemption date. Share issue costs incurred in connection with the Series B issue of $4.9 million ($3.4 million after tax) were charged to Retained earnings.

Normal course issuer bid

The Company commenced a normal course issuer bid, effective for one year, on March 23, 2009. Pursuant to this bid, the Company may purchase up to 13.1 million or 5% of its common shares as at March 13, 2009. As at December 31, 2009, 1,762,800 shares were purchased at a cost of $70.2 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

On March 22, 2008, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.2 million or 5% of its common shares outstanding as at March 14, 2008. As at December 31, 2008, 2,824,800 shares were purchased at a cost of $118.2 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

15. CAPITAL MANAGEMENT

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory requirements, working capital needs and business expansion. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Company consisted of long-term debt, perpetual preferred shares and common shareholders' equity. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include trust companies, securities advisors, securities dealers and mutual fund dealers. These subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. The Company's subsidiaries have complied with all regulatory capital requirements.

Capital management activities for the year ended December 31, 2009 included: the repurchase of 1,762,800 common shares at a cost of $70.2 million under the normal course issuer bid (Note 14); and the declaration of preferred share dividends of $20.7 million and common share dividends of $539.7 million. Changes in common share capital and perpetual preferred shares are reflected in the Consolidated Statements of Changes in Shareholders' Equity and included the issuance of common shares on the acquisition of the non-controlling interest in Investment Planning Counsel and the issuance of $150.0 million in perpetual preferred shares. Preferred shares classified as liabilities of $360.0 million were redeemed on December 31, 2009. Long-term debt of $1.6 billion included the issuance of $375.0 million of 10 year debentures in the second quarter of 2009 (Note 13).

16. STOCK-BASED COMPENSATION

Stock option plan

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to employees at prices not less than the weighted average trading price per common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. The options are subject to time and/or performance vesting conditions set out at the grant date and are exercisable no later than 10 years after the grant date. At December 31, 2009, 14,617,874 (2008 – 15,540,406) common shares were reserved for issuance under the Plan.

During 2009, the Company granted 1,789,372 options to employees (2008 – 1,164,866). A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of options granted during the year ended December 31, 2009 has been estimated at $2.42 per option (2008 – $5.30) using the Black-Scholes option pricing model. The assumptions used in these valuation models include: (i) risk-free interest rate of 2.33% (2008 – 3.27%), (ii) expected option life of 5.7 years (2008 – 5.8 years), (iii) expected volatility of 20.74% (2008 – 20.00%) and (iv) expected dividend yield of 6.96% (2008 – 4.53%).

The Company recorded compensation expense related to its stock option program of $5.2 million (2008 – $7.3 million).

	2009		2008	
	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Balance, beginning of year	**8,929,679**	**$ 35.59**	9,085,730	$ 33.47
Granted	**1,789,372**	**30.63**	1,164,866	43.18
Exercised	**(922,532)**	**21.94**	(996,424)	22.04
Forfeited	**(381,514)**	**41.13**	(324,493)	45.23
Balance, end of year	**9,415,005**	**$ 35.76**	8,929,679	$ 35.59
Exercisable, end of year	**4,541,430**	**$ 31.76**	4,657,554	$ 28.30

Options outstanding at December 31, 2009	EXPIRY DATE	EXERCISE PRICE ($)	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2010	**17.00**	**11,000**	**11,000**
	2011	**19.83 – 22.78**	**1,067,148**	**1,067,148**
	2012	**27.81**	**57,000**	**52,500**
	2013	**25.66 – 28.66**	**852,080**	**852,080**
	2014	**33.52 – 35.77**	**1,208,117**	**926,285**
	2015	**37.09 – 37.78**	**1,601,594**	**944,655**
	2016	**46.68**	**639,328**	**269,416**
	2017	**50.60 – 50.92**	**1,231,708**	**209,614**
	2018	**42.09 – 44.60**	**1,070,128**	**132,456**
	2019	**26.67 – 44.00**	**1,676,902**	**76,276**
			9,415,005	**4,541,430**

Share purchase plans

Under the Company's share purchase plans, eligible employees and financial planning consultants can elect each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of three years following the date of purchase. The Company's contributions are recorded in Non-commission expense as paid and totalled $10.9 million (2008 – $11.0 million).

16. STOCK-BASED COMPENSATION *(continued)*

Deferred share unit plan

The Company has a deferred share unit plan for the directors of the Company to promote a greater alignment of interest between directors and shareholders of the Company. Under the Plan, directors are required to receive 50% of their annual retainer in the form of deferred share units and may elect to receive the balance of their annual retainer in cash or deferred share units. Directors may elect to receive their attendance fees in a combination of deferred share units and cash. The number of deferred share units granted is determined by dividing the amount of remuneration payable by the average closing price on the Toronto Stock Exchange of the common shares of the Company on the last five days of the fiscal quarter (the "value of deferred share unit"). A director who has elected to receive deferred share units will receive additional deferred share units in respect of dividends payable on common shares, based on the value of a deferred share unit at the dividend payment date. Deferred share units are redeemable when a participant is no longer a director, officer or employee of the Company or any of its affiliates by a lump sum cash payment, based on the value of the deferred share units at that time. At December 31, 2009, the fair value of the deferred share units outstanding was $9.3 million (2008 – $6.3 million). Any differences between the change in fair value of the deferred share unit plan and the change in fair value of the total return swap which is an economic hedge for the deferred share unit plan are recognized in Non-commission expense during the period in which the change occurs.

17. RISK MANAGEMENT

The Company actively manages its liquidity, credit and market risks.

Liquidity risk related to financial instruments

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due.

The Company's liquidity management practices include: controls over liquidity management processes; stress testing of various operating scenarios; and oversight over liquidity management by Committees of the Board of Directors.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. The payment of commissions continues to be fully funded through ongoing cash flow from operations.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, residential mortgages are funded through placement with Investors Group's intermediary operations or through sales to Investors Mortgage and Short Term Income Fund and to third parties, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization trusts, or through private placements to institutional investors. Investors Group is an approved issuer of National Housing Act Mortgage Backed Securities (NHA MBS) and an approved seller into the Canada Mortgage Bond Program (CMB Program). This issuer and seller status provides the Company with additional funding sources for residential mortgages (Note 4). The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions that are subject to change.

Liquidity requirements for trust subsidiaries which engage in financial intermediary activities are based on policies approved by committees of their respective Boards of Directors. As at December 31, 2009, the trust subsidiaries' liquidity was in compliance with these policies.

17. RISK MANAGEMENT *(continued)*

Liquidity risk related to financial instruments *(continued)*

The Company's contractual maturities were as follows:

As at December 31, 2009 *($ millions)*	DEMAND	LESS THAN 1 YEAR	1 – 5 YEARS	AFTER 5 YEARS	TOTAL
Deposits and certificates	$ 695.4	$ 71.3	$ 135.8	$ 4.8	$ 907.3
Other liabilities	–	12.5	91.1	9.1	112.7
Long-term debt	–	–	450.0	1,125.0	1,575.0
Operating leases[1]	–	44.7	115.3	102.9	262.9
Total contractual obligations	$ 695.4	$ 128.5	$ 792.2	$ 1,241.8	$ 2,857.9

(1) Includes office space and equipment used in the normal course of business. Lease payments are charged to earnings in the period of use.

In addition to the Company's current balance of cash and cash equivalents, other potential sources of liquidity include the Company's lines of credit and portfolio of securities. The Company increased its operating lines of credit with various Schedule I Canadian chartered banks to $675 million as at December 31, 2009 from $475 million as at December 31, 2008. The operating lines of credit as at December 31, 2009 consist of committed lines of $500 million (2008 – $300 million) and uncommitted lines of $175 million (2008 – $175 million). As at December 31, 2009, the Company was not utilizing its committed lines of credit (2008 – nil) or its uncommitted operating lines of credit (2008 – $100 million) In October 2009 the Company repaid the $100 million uncommitted operating lines of credit.

In connection with the acquisition of Saxon Financial Inc. (Note 24) on September 25, 2008, the Company maintained a non-revolving bridge credit facility with a Schedule I chartered bank totalling $287 million. During April 2009, the Company repaid the balance of the credit facility with proceeds from the issue of the debentures.

During 2009, the Company accessed the domestic equity and debt markets to raise capital through the issue of $375.0 million in debentures in the second quarter and $150.0 million in perpetual preferred shares in the fourth quarter of 2009. The Company's ability to access capital markets to raise funds is dependent on market conditions.

The Company's liquidity position and its management of liquidity risk have not changed materially since December 31, 2008.

Credit risk related to financial instruments

Credit risk is the potential for financial loss to the Company if a counterparty in a transaction fails to meet its obligations. The Company's cash and cash equivalents, securities holdings, mortgage and investment loan portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At December 31, 2009, cash and cash equivalents of $945.1 million consisted of cash balances of $138.5 million on deposit with Canadian chartered banks and cash equivalents of $806.6 million. Cash equivalents are comprised primarily of Government of Canada treasury bills totalling $258.4 million, provincial government and government guaranteed commercial paper of $207.8 million and bankers' acceptances issued by Canadian chartered banks of $330.9 million. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

Available for sale fixed income securities at December 31, 2009 are comprised primarily of bankers' acceptances of $162.3 million, Canadian chartered bank senior deposit notes and floating rate notes of $89.0 million and $5.0 million, respectively, government guaranteed short-term investments of $20.0 million, and corporate bonds of $38.6 million. The maximum exposure to credit risk on these financial instruments is their carrying value. The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

17. RISK MANAGEMENT *(continued)*

Credit risk related to financial instruments *(continued)*

Held for trading fixed income securities are comprised of non-bank-sponsored ABCP with a fair value of $27.7 million which represents the maximum exposure to credit risk at December 31, 2009 (Note 2).

The Company regularly reviews the credit quality of the mortgage and investment loan portfolios and the adequacy of the general allowance. As at December 31, 2009, mortgages and investment loans totalled $372.9 million and $305.4 million, respectively. The allowance for credit losses of $6.7 million at December 31, 2009 exceeded impaired mortgages and investment loans by $5.9 million. As at December 31, 2009, the mortgage portfolios were geographically diverse, 100% residential (2008 – 100%) and 74% insured (2008 – 64%). The credit risk on the investment loan portfolio is mitigated through the use of collateral, primarily in the form of mutual fund investments. Uninsured non-performing loans over 90 days in the mortgage and investment loan portfolios were $0.2 million at December 31, 2009, compared with $0.5 million at December 31, 2008. The characteristics of the mortgage and investment loan portfolios have not changed significantly during 2009.

The Company's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and mortgage and investment loan portfolios have not changed materially since December 31, 2008.

The Company regularly reviews the credit quality of the mortgage loans securitized through CMHC or Canadian bank sponsored (Schedule I chartered banks) securitization trusts. The maximum exposure to credit risk attributable to securitized mortgage loans is equal to the fair value of the retained interests in the securitized loans, which was $173.5 million at December 31, 2009 compared to $201.4 million in 2008. Retained interests include:

- Cash reserve accounts and rights to future excess spread (securitization receivables) which totalled $105.5 million at December 31, 2009. The portion of this amount pertaining to Canadian bank-sponsored securitization trusts of $31.2 million is subordinated to the interests of the trust and represents the maximum exposure to credit risk for any failure of the borrowers to pay when due. Credit risk on these mortgages is mitigated by any insurance on these mortgages, as discussed below, and the Company's credit risk on insured loans is to the insurer. At December 31, 2009, 95% of the $1.79 billion in outstanding mortgages securitized under these programs were insured.

  Rights to future excess spread under the NHA MBS and CMB Program totalled $74.3 million. Under the NHA MBS and CMB Program, the Company has an obligation to make timely payments to security holders regardless of whether amounts are received by mortgagors. All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program, and the Company's credit exposure is to the insurer. Outstanding mortgages securitized under these programs are $1.48 billion.

  Since 2008, the Company has purchased portfolio insurance from CMHC on newly funded qualifying conventional mortgage loans. During the third quarter of 2009, the Company expanded its insurance coverage on the $5.4 billion mortgage portfolio which it services, including the $3.27 billion securitized portfolio. This coverage provides the same level of credit risk mitigation as insurance on high ratio loans (non-conventional) at the time of application. At December 31, 2009, over 95% of the mortgage portfolio serviced by the Company was insured. There were no uninsured non-performing loans over 90 days in these portfolios at December 31, 2009, unchanged from December 31, 2008. The Company's expected exposure to credit risk related to cash reserve accounts and rights to future excess spread was not significant at December 31, 2009.
- Fair value of interest rate swaps which the Company enters into related to its securitization activities totalled $68.0 million at December 31, 2009. The outstanding notional amount of these interest rate swaps was $3.4 billion at December 31, 2009 compared to $2.9 billion at December 31, 2008. The exposure to credit risk, which is limited to the fair value of the interest rate swaps which were in a gain position, totalled $75.5 million at December 31, 2009 compared to $132.2 million at December 31, 2008.

The Company utilizes interest rate swaps to hedge interest rate risk related to securitization activities discussed above. The negative fair value of these interest rate swaps totalled $62.9 million at December 31, 2009. The outstanding notional amount was $3.3 billion at December 31, 2009 compared to $3.0 billion at December 31, 2008. The exposure to credit risk, which is limited to the fair value of the interest rates swaps which are in a gain position, totalled $42.2 million at December 31, 2009 compared to $28.0 million at December 31, 2008.

17. RISK MANAGEMENT *(continued)*

Credit risk related to financial instruments *(continued)*

In addition, the Company enters into other derivative contracts which consist primarily of interest rate swaps utilized to hedge interest rate risk related to mortgages held, or committed to, by the Company. The outstanding notional amount of these derivative contracts was $75.3 million at December 31, 2009 compared to $151.7 million at December 31, 2008. The exposure to credit risk, which is limited to the fair value of those instruments which were in a gain position, decreased to $2.7 million at December 31, 2009 from $33.0 million at December 31, 2008 primarily due to the maturity or settlement of derivative contracts that were in a gain position at year-end.

The aggregate credit risk exposure related to derivatives that are in a gain position of $120.4 million does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, giving effect to netting agreements and collateral arrangements, was $72.3 million at December 31, 2009. Counterparties are all bank-sponsored securitization trusts and Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at December 31, 2009. Management of credit risk has not changed materially since December 31, 2008.

Market risk related to financial instruments

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in foreign exchange rates, interest rates or equity prices. The Company's financial instruments are generally denominated in Canadian dollars, and do not have significant exposure to changes in foreign exchange rates.

Interest Rate Risk

The Company is exposed to interest rate risk on its loan portfolio, fixed income securities, Canada Mortgage Bonds and on certain of the derivative financial instruments used in the Company's mortgage banking and intermediary operations.

The objective of the Company's asset and liability management is to control interest rate risk related to its intermediary operations by actively managing its interest rate exposure. As at December 31, 2009, the total gap between one-year deposit assets and liabilities was within the Company's trust subsidiaries' stated guidelines.

The Company utilizes interest rate swaps with Canadian Schedule I chartered bank counterparties in order to reduce the impact of fluctuating interest rates on its mortgage banking operations, as follows:

- As part of the securitization transactions with bank-sponsored securitization trusts the Company enters into interest rate swaps with the trusts which transfers the interest rate risk to the Company. The Company enters into offsetting interest rate swaps with Schedule I chartered banks to hedge this risk. Under these securitization transactions with bank-sponsored securitization trusts the Company is exposed to ABCP rates and, after effecting its interest rate hedging activities, remains exposed to the basis risk that ABCP rates are greater than bankers' acceptances rates.
- As part of the securitization transactions under the CMB Program, the Company enters into interest rate swaps with Schedule I chartered bank counterparties that transfer the interest rate risk associated with the program, including reinvestment risk, to the Company. To manage these interest rate and reinvestment risks, the Company enters into offsetting interest rate swaps with Schedule I chartered bank counterparties to reduce the impact of fluctuating interest rates.
- The Company is exposed to the impact that changes in interest rates may have on the value of its investments in Canada Mortgage Bonds. The Company enters into interest rate swaps with Schedule I chartered bank counterparties to hedge interest rate risk on these bonds.
- The Company is also exposed to the impact that changes in interest rates may have on the value of mortgages held, or committed to, by the Company. The Company may enter into interest rate swaps to hedge this risk.

As at December 31, 2009, the impact to net income of a 100-basis point change in interest rates would have been approximately $4.4 million. The Company's exposure to and management of interest rate risk has not changed materially since December 31, 2008.

17. RISK MANAGEMENT *(continued)*

Market risk related to financial instruments *(continued)*

Equity Price Risk

The Company is exposed to equity price risk on its securities holdings. The Company's common shares and investments in proprietary mutual funds are classified as available for sale securities as shown in Note 2. Unrealized gains and losses on these securities are recorded in Other comprehensive income until they are realized or until management determines there is objective evidence of impairment in value that is other than temporary, at which time they are recorded in the Consolidated Statements of Income.

The Company adheres to an Investment Policy that outlines the objectives, constraints and parameters relating to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Company. The Company may manage its exposure to equity price risk on a portion of its corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. Management regularly reviews the Company's investments to ensure all activities are in adherence to the Investment Policy. The Company holds a diversified portfolio of securities that consists primarily of well-capitalized, dividend-paying Canadian common shares that are included in the S&P TSX 60 Index. Improvements in the equity markets during 2009 reduced the unrealized losses that arose primarily in the latter part of 2008. The S&P TSX 60 Index increased by 30.7% during the year ended December 31, 2009 and 55.2% from its March 9, 2009 low. The Company's common share portfolio had a similar increase in fair value to September 30, 2009. Unrealized losses on common shares were $72.2 million at September 30, 2009 compared with $143.8 million at the end of 2008. Unrealized losses at December 31, 2009 were relatively unchanged from September 30, 2009 levels and totalled $73.3 million.

Common shares are reviewed periodically, or more frequently when conditions warrant, to determine whether there is objective evidence of impairment in value that is other than temporary. Factors that are considered include the length of time and the extent to which the fair value has been below cost, the financial condition and near term prospects of the issuer, as well as the Company's intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery. Common shares which have had an unrealized loss for a prolonged period of time were considered to be other than temporarily impaired. The other than temporary impairment charge of $73.3 million was reclassified from Other comprehensive income to the Consolidated Statements of Income at December 31, 2009.

As at December 31, 2009, the impact of a 10% decrease in equity prices would have been a $23.3 million unrealized loss recorded in the Consolidated Statements of Income. The Company's exposure to and management of equity price risk has not changed materially since December 31, 2008.

Market risk related to assets under management

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management.

Changes in assets under management directly impact earnings as discussed more fully in the Investors Group and Mackenzie Segment Operating Results in the Company's Management Discussion and Analysis contained in the 2009 Annual Report to Shareholders.

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative contracts which are either exchange-traded or negotiated in the over-the-counter market on a diversified basis with Schedule I chartered banks or Canadian bank-sponsored securitization trusts that are counterparties to the Company's securitization transactions. In all cases the derivative contracts are used for non-trading purposes. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Total return swaps are contractual agreements to exchange payments based on a specified notional amount and the underlying security for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific securities at a fixed price at a future date. Forward contracts are contractual agreements to buy or sell a financial instrument on a future date at a specified price.

The amount subject to credit risk is limited to the current fair value of the instruments which are in a gain position. The credit risk is presented below without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Company would receive or pay to terminate all agreements at each year end. However, this would not result in a gain or loss to the Company as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

The following table summarizes the Company's derivative financial instruments at December 31:

	NOTIONAL AMOUNT					FAIR VALUE	
2009	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	CREDIT RISK	ASSET	LIABILITY
Swaps	**$ 885,073**	**$5,219,463**	**$ 635,138**	**$6,739,674**	**$ 120,445**	**$ 120,445**	**$ 112,694**
Forward contracts	**1,399**	**–**	**–**	**1,399**	**–**	**–**	**53**
	$ 886,472	**$5,219,463**	**$ 635,138**	**$6,741,073**	**$ 120,445**	**$ 120,445**	**$ 112,747**
2008							
Swaps	$ 953,211	$ 4,559,460	$ 404,277	$ 5,916,948	$ 160,262	$ 160,262	$ 171,737
Options purchased	42,632	–	–	42,632	20,456	20,456	–
Options written	29,988	–	–	29,988	–	–	590
Forward contracts	17,382	8,612	–	25,994	12,530	12,530	–
	$ 1,043,213	$ 4,568,072	$ 404,277	$ 6,015,562	$ 193,248	$ 193,248	$ 172,327

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the fair value of financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties under no compulsion to act, and best evidenced by a quoted market price, if one exists. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and are matters of significant judgment.

	2009		2008	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	$ 945,081	$ 945,081	$ 1,232,171	$ 1,232,171
Securities	1,246,259	1,246,259	537,653	537,653
Loans	671,556	674,820	589,564	591,708
Other financial assets	267,011	267,011	285,388	285,388
Derivative assets	120,445	120,445	193,248	193,248
Total financial assets	$ 3,250,352	$ 3,253,616	$ 2,838,024	$ 2,840,168
Liabilities				
Deposits and certificates	$ 907,343	$ 916,057	$ 958,999	$ 964,200
Bankers' acceptances	–	–	286,615	286,615
Repurchase agreements	629,817	629,817	–	–
Other financial liabilities	591,346	591,346	688,120	688,120
Derivative liabilities	112,747	112,747	172,327	172,327
Preferred share liabilities	–	–	360,000	366,480
Long-term debt	1,575,000	1,714,307	1,200,000	1,206,193
Total financial liabilities	$ 3,816,253	$ 3,964,274	$ 3,666,061	$ 3,683,935

Fair value is determined using the following methods and assumptions:

The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, certain other financial assets and other financial liabilities.

Securities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk and maturity.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Preferred share liabilities are valued using quoted prices from active markets.

Long-term debt is valued by reference to current market prices for debentures and notes payable with similar terms and risks.

Derivative financial instruments fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

The Company adopted amendments to CICA 3862, Financial Instruments – Disclosures for the year ended December 31, 2009, which require all financial instruments measured at fair value to be classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation.

Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets are not considered sufficiently active, fair value is measured using valuation models which may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). Management considers all reasonably available information including indicative broker quotations, any available pricing for similar instruments, recent arms length market transactions, any relevant observable market inputs, and internal model-based estimates. Management applies judgment in determining the most appropriate inputs and the weighting ascribed to each input as well as in the selection of valuation methodologies.

Level 1 assets include liquid, exchange-traded equity securities, liquid open-end investment fund units, and investments in Government of Canada Bonds and Canada Mortgage Bonds in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include fixed income securities, investment funds with less frequent than daily transaction activity, mortgages classified as held for trading and derivative assets and liabilities. The fair value of fixed income securities, which include Canadian chartered bank senior deposit notes and floating rate notes and corporate bonds, are determined using quoted market prices or independent dealer price quotes, which are evaluated for reasonableness. The fair value of investment funds are based on calculated fund net asset values. Mortgages classified as held for trading are valued by discounting the expected future cash flows at observable market rates for loans with similar credit risk and maturity. The fair value of derivative assets and liabilities, which include interest rate swaps, total return swaps and forward contracts, are determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs.

Level 3 assets and liabilities include non-bank sponsored asset-backed commercial paper, securitization receivables and derivative instruments. See Notes 2 and 4 for further discussion on valuation techniques and assumptions.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

The Company records substantially all of its financial instruments at fair value or amounts that approximate fair value. The following table presents the balances of assets and liabilities measured at fair value on a recurring basis.

	December 31, 2009			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets				
Securities				
– Available for sale	$ 278,426	$ 315,387	$ –	$ 593,813
– Held for trading	624,703	–	27,743	652,446
Loans				
– Held for trading	–	240,391	–	240,391
Other assets				
– Funds held in escrow	10,161	6,522	–	16,683
– Derivatives	–	44,875	75,570	120,445
– Securitization receivables	–	–	105,460	105,460
	$ 913,290	$ 607,175	$ 208,773	$ 1,729,238
Liabilities				
Other liabilities				
– Derivatives	$ –	$ 105,146	$ 7,601	$ 112,747

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

	BALANACE JANUARY 1 2009	GAINS/(LOSSES) INCLUDED IN NET INCOME[1]	PURCHASES	SETTLEMENTS	BALANCE DECEMBER 31 2009
Assets					
Securities					
– Held for trading	$ 35,290	$ (3,700)	$ –	$ 3,847	$ 27,743
Other assets					
– Derivatives, net	121,457	(1,963)	2,495	54,020	67,969
– Securitization receivables	79,946	589	62,625	37,700	105,460
	$ 236,693	$ (5,074)	$ 65,120	$ 95,567	$ 201,172

(1) Included in Net investment income in the Consolidated Statements of Income.

(2) There were no transfers in/out of Level 3 in 2009.

20. EARNINGS PER COMMON SHARE

	2009	2008
Earnings		
Net income	**$ 559,092**	$ 730,799
Number of common shares *(in thousands)*		
Average number of common shares outstanding	**263,217**	263,323
Add: Potential exercise of outstanding stock options	**1,107**	1,485
Average number of common shares outstanding – Diluted basis	**264,324**	264,808
Earnings per common share *(in dollars)*		
– Basic	**$ 2.12**	$ 2.78
– Diluted	**$ 2.12**	$ 2.76

21. CONTINGENCIES, COMMITMENTS AND GUARANTEES

Contingencies

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Two proposed class actions related to alleged market timing trading activity in mutual funds of the companies have been initiated in Ontario and Quebec. Neither has been certified as a class action and, in January 2010, the Ontario court denied certification to the proposed Ontario action. At the date hereof, it is not known if the proposed class representative will appeal this denial of certification. A decision on certification of the Quebec action is pending. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Commitments

The Company is committed to the following annual lease payments under its operating leases: 2010 – $44.7 million; 2011 – $36.7 million; 2012 – $31.8 million; 2013 – $26.3 million; and 2014 and thereafter – $123.4 million.

Guarantees

In the normal course of operations, the Company executes agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions. The Company has also agreed to indemnify its directors and officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Company could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Company has not made any payments under such indemnification agreements. No amounts have been accrued related to these agreements.

22. RELATED PARTY TRANSACTIONS

The Company enters into transactions with The Great-West Life Assurance Company (Great-West), London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco, which is a subsidiary of Power Financial Corporation. These transactions are in the normal course of operations and have been recorded at the agreed upon exchange amounts.

During 2009 and 2008, the Company provided to and received from Great-West certain administrative services. The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received \$44.3 million in distribution fees (2008 – \$39.7 million). The Company received \$11.6 million (2008 – \$13.0 million) related to the provision of sub-advisory services for certain Great-West, London Life, and Canada Life segregated mutual funds. The Company paid \$34.7 million (2008 – \$34.1 million) to London Life related to the distribution of certain mutual funds of the Company.

During 2009, the Company sold residential mortgage loans to Great-West and London Life for \$147.1 million (2008 – \$143.4 million).

23. SEGMENTED INFORMATION

Investors Group and Mackenzie earn fee-based revenues in the conduct of their core business activities which are primarily related to the distribution, management and administration of their mutual funds. Fee revenues are also derived from the provision of brokerage services. Intermediary revenues are derived primarily from the assets funded by deposit and certificate products and from mortgage banking and servicing activities. In addition, Investors Group earns fee revenue from the distribution of insurance products and equity income from its investment in Lifeco (Note 5).

Corporate and Other includes Investment Planning Counsel, net investment income on unallocated investments, and interest expense on corporate debt.

The results of the reportable segments reflect the Company's internal financial reporting systems.

				2009
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	$ 981,262	$ 631,385	$ 33,989	$ 1,646,636
Administration	206,637	137,374	2,009	346,020
Distribution	149,921	25,809	81,697	257,427
Net investment income and other	122,840	14,629	15,644	153,113
	1,460,660	809,197	133,339	2,403,196
Operating expenses				
Commissions	445,845	284,710	77,927	808,482
Non-commission	311,227	269,244	33,751	614,222
	757,072	553,954	111,678	1,422,704
Earnings before undernoted	$ 703,588	$ 255,243	$ 21,661	980,492
Interest expense				(109,864)
Non-cash charge on available for sale securities				(76,506)
Premium paid on redemption of preferred shares				(14,400)
Income before income taxes				779,722
Income taxes				220,630
Net income				$ 559,092
Identifiable assets	$ 1,820,019	$ 2,495,852	$ 1,716,516	$ 6,032,387
Goodwill	1,347,781	1,166,842	98,909	2,613,532
Total assets	$ 3,167,800	$ 3,662,694	$ 1,815,425	$ 8,645,919

23. SEGMENTED INFORMATION *(continued)*

				2008
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	$ 1,077,738	$ 749,992	$ 39,493	$ 1,867,223
Administration	210,693	136,144	2,412	349,249
Distribution	149,517	34,255	102,272	286,044
Net investment income and other	151,144	22,758	27,004	200,906
	1,589,092	943,149	171,181	2,703,422
Operating expenses				
Commissions	473,424	338,793	94,054	906,271
Non-commission	317,473	289,616	40,765	647,854
	790,897	628,409	134,819	1,554,125
Earnings before undernoted	$ 798,195	$ 314,740	$ 36,362	1,149,297
Interest expense				(90,604)
Proportionate share of affiliate's impairment charge				(60,346)
Proportionate share of affiliate's gain				25,003
Income before income taxes				1,023,350
Income taxes				292,551
Net income				$ 730,799
Identifiable assets	$ 1,789,202	$ 2,603,579	$ 1,277,990	$ 5,670,771
Goodwill	1,347,781	1,166,842	77,694	2,592,317
Total assets	$ 3,136,983	$ 3,770,421	$ 1,355,684	$ 8,263,088

24. ACQUISITIONS

Non-controlling interest

On June 5, 2009, the Company acquired the 27.6% non-controlling interest in Investment Planning Counsel Inc. The aggregate purchase price was $42.9 million, consisting of $1.7 million in cash including transaction costs and common shares of IGM Financial valued at $41.2 million. The value of the 1,108,901 common shares issued was determined based on the weighted-average market price of the Company's shares over the two-day period before and after the terms of the acquisition were agreed to and announced. The Company accounted for the transaction as a step acquisition and the aggregate purchase price, after elimination of the non-controlling interest, was allocated to net assets acquired based on their estimated fair value on the date of acquisition.

Saxon Financial Inc.

On September 25, 2008, Mackenzie acquired 95.3% of the issued and outstanding shares of Saxon Financial Inc. (Saxon), a Canadian investment management company. The acquisition was by way of a take over bid. Mackenzie acquired the remaining Saxon common shares during the fourth quarter of 2008 under the compulsory acquisition provisions of the Business Corporations Act (Ontario). The acquisition was accounted for by the purchase method. Total cash consideration was $289.7 million including transaction and other related costs and was allocated as follows:

Management contracts, indefinite life	$ 39,200
Institutional contracts, definite life	47,700
Other assets, net	1,132
	88,032
Goodwill	201,651
Total purchase consideration	$ 289,683

Quarterly Review

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31	2009				2008			
($ thousands, except per share amounts)	4	3	2	1	4	3	2	1
Fee and net investment income								
Management	$ 449,687	$ 432,190	$ 399,340	$ 365,419	$ 396,325	$ 476,929	$ 503,320	$ 490,649
Administration	88,259	88,537	86,902	82,322	84,248	88,098	89,401	87,502
Distribution	70,753	62,001	62,337	62,336	67,364	70,598	72,395	75,687
Net investment income and other	(65,864)	39,910	39,184	48,977	(24,334)	49,027	80,555	60,315
Total fee and net investment income	542,835	622,638	587,763	559,054	523,603	684,652	745,671	714,153
Operating expenses								
Commission expense	213,504	205,293	197,309	192,376	206,421	230,053	234,803	234,994
Non-commission expense	148,732	148,723	158,252	158,515	162,566	155,377	162,500	167,411
Interest expense	29,264	29,125	28,582	22,893	24,448	22,176	21,990	21,990
Total operating expenses	391,500	383,141	384,143	373,784	393,435	407,606	419,293	424,395
Income before taxes	151,335	239,497	203,620	185,270	130,168	277,046	326,378	289,758
Income taxes	37,624	72,147	59,116	51,743	50,367	78,352	85,277	78,555
Net income – GAAP	$ 113,711	$ 167,350	$ 144,504	$ 133,527	$ 79,801	$ 198,694	$ 241,101	$ 211,203
Reconciliation of non-GAAP financial measures[1]								
Adjusted net income – non-GAAP measure	$ 176,537	$ 167,350	$ 144,504	$ 133,527	$ 140,147	$ 198,694	$ 216,098	$ 211,203
Non-cash charge on available for sale equity securites, net of tax	(66,240)	–	–	–	–	–	–	–
Non-cash income tax benefit	17,814	–	–	–	–	–	–	–
Premium paid on redemption of preferred shares	(14,400)	–	–	–	–	–	–	–
Proportionate share of affiliate's impairment charge	–	–	–	–	(60,346)	–	–	–
Proportionate share of affiliate's gain	–	–	–	–	–	–	25,003	–
Net income – GAAP	$ 113,711	$ 167,350	$ 144,504	$ 133,527	$ 79,801	$ 198,694	$ 241,101	$ 211,203
Diluted earnings per share *(¢)*								
GAAP	43	63	55	51	30	75	91	79
Adjusted	67	63	55	51	53	75	81	79
Dividends per share *(¢)*	51.25	51.25	51.25	51.25	51.25	51.25	48.75	48.75

STATISTICAL DATA *($ millions)*

	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1
Mutual funds								
Investors Group								
Sales	$ 1,376	$ 1,134	$ 1,105	$ 1,427	$ 1,237	$ 1,299	$ 1,457	$ 1,953
Redemption rate *(%)* – total	9.0	9.1	9.2	9.4	9.4	9.1	8.9	8.7
– long-term funds	7.4	7.3	7.5	7.7	7.9	7.7	7.6	7.4
Net sales (redemptions)	154	36	(95)	309	60	61	(6)	510
Assets under management	57,655	56,560	52,498	46,574	47,491	54,306	59,006	58,582
Mackenzie								
Sales	1,414	997	1,231	1,263	1,646	1,901	2,343	2,059
Redemption rate *(%)* – total	17.5	19.6	21.2	22.2	22.4	20.2	19.2	18.0
– long-term funds	14.6	16.0	17.3	18.3	18.7	16.9	15.6	14.4
Net sales (redemptions)	(408)	(439)	(362)	(357)	(869)	(312)	(94)	(278)
Assets under management	40,624	39,854	37,249	33,659	35,814	41,823	43,716	44,555
Investment Planning Counsel								
Sales	120	87	69	67	43	54	63	84
Redemption rate *(%)* – total	12.7	13.8	14.8	15.6	15.8	14.4	12.5	10.9
– long-term funds	11.6	12.4	13.6	14.6	14.8	13.7	11.9	10.3
Net sales (redemptions)	54	32	11	9	(33)	(25)	(25)	3
Assets under management	2,140	2,030	1,838	1,670	1,740	1,931	2,139	2,180
Combined mutual fund assets under management[2]	100,419	98,444	91,585	81,903	85,025	98,035	104,834	105,289
Total assets under management	120,545	117,904	109,647	98,655	101,742	118,535	119,669	118,957
Corporate assets	8,646	9,087	9,082	8,924	8,263	8,299	7,978	7,901
Consultants – Investors Group	4,633	4,616	4,511	4,486	4,479	4,411	4,360	4,342

(1) Refer to page 18 of the MD&A for an explanation of the Company's use of non-GAAP financial measures.
(2) Adjusted for inter-segment assets.

Ten Year Review

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31

($ thousands, except per share amounts)	2009	2008	2007	2006	2005	CAGR[1] 5 YEAR %	2004	2003	2002	2001	200[illegible]	CAGR 10 YEAR
Fee income	2,250,083	2,502,516	2,700,961	2,392,298	2,164,472	*2.8*	1,955,740	1,714,373	1,813,205	1,626,934	1,075,504	*9.1*
Net investment income	62,207	165,563	191,227	210,236	181,677	*(17.4)*	162,180	159,808	126,510	133,515	121,604	*(3.3*
	2,312,290	2,668,079	2,892,188	2,602,534	2,346,149	*1.8*	2,117,920	1,874,181	1,939,715	1,760,449	1,197,108	*8.5*
Operating expenses	1,532,568	1,644,729	1,658,371	1,494,613	1,372,222	*4.1*	1,256,555	1,050,722	1,133,066	1,176,427	690,398	*9.6*
	779,722	1,023,350	1,233,817	1,107,921	973,927	*(2.0)*	861,365	823,459	806,649	584,022	506,710	*6.5*
Dilution gain	–	–	–	–	–	–	–	14,820	–	–	–	–
Income before undernoted	779,722	1,023,350	1,233,817	1,107,921	973,927	*(2.0)*	861,365	838,279	806,649	584,022	506,710	*6.5*
Income taxes	220,630	292,551	354,682	331,231	291,500	*(3.6)*	264,969	299,198	317,401	252,474	222,418	*2.1*
	559,092	730,799	879,135	776,690	682,427	*(1.3)*	596,396	539,081	489,248	331,548	284,292	*9.0*
Goodwill amortization, net of tax	–	–	–	–	–	–	–	–	–	71,969	267	–
	559,092	730,799	879,135	776,690	682,427	*(1.3)*	596,396	539,081	489,248	259,579	284,025	*9.0*
Discontinued operations	–	–	–	–	–	–	–	–	1,811	116	–	–
Net income – GAAP	559,092	730,799	879,135	776,690	682,427	*(1.3)*	596,396	539,081	491,059	259,695	284,025	
Adjusted net income[2]	621,918	766,142	863,867	763,042	682,427	*0.2*	615,577	533,563	491,059	392,637	284,292	*10.2*
Diluted earnings per share *($)*												
GAAP	2.12	2.76	3.29	2.90	2.56	*(1.1)*	2.24	2.03	1.85	1.05	1.35	*6.[illegible]*
Adjusted[2]	2.35	2.89	3.23	2.85	2.56	*0.3*	2.31	2.01	1.85	1.58	1.35	*7.7*
Dividends per share *(¢)*	205	200	178	154	134	*12.3*	115	99	86	73	61	*15.4*
Return on average common equity (ROE) *(%)*												
GAAP	13.3	17.3	21.9	21.4	20.0	–	19.1	19.1	19.2	16.7	28.1	–
Adjusted[2]	14.8	18.2	21.5	21.1	20.0	–	19.8	18.9	19.2	19.6	28.1	–
Average shares outstanding *(thousands)*												
– Basic	263,217	263,323	264,604	264,724	264,573	–	264,431	263,915	263,487	247,093	210,012	–
– Diluted	264,324	264,808	267,303	267,395	266,609	–	266,010	265,174	264,873	247,932	210,870	–
Share price *(closing $)*	42.41	35.45	50.03	49.10	46.12	*3.0*	36.64	31.05	26.75	25.50	25.95	*7.[illegible]*

Includes Mackenzie from date of acquisition (April 20, 2001).
Includes Investment Planning Counsel from date of acquisition (May 10, 2004).
(1) Compound annual growth rate.
(2) Non-GAAP Financial Measures – Items denoted as being excluded refer to:
2009 – A non-cash charge on available for sale equity securities, net of tax, a non-cash income tax benefit and the premium paid on the redemption of Series A preferred shares as discussed on page 18 of the Management's Discussion and Analysis (MD&A).
2008 – Proportionate share of Great-West Lifeco Inc.'s after-tax impairment charge and proportionate share of Great-West Lifeco Inc.'s after-tax gain on the sale of its healthcare business, Great-West Healthcare as discussed on page 18 of the MD&A.
2007 – Non-cash income tax benefit as discussed on page 18 of the MD&A.
2006 – Non-cash income tax benefit.
2004 – Unitholder compensation.
2003 – Dilution gain, restructuring reversal and non-cash income tax charge.
2001 and 2000 – Goodwill amortization and Mackenzie restructuring costs.

Ten Year Review

STATISTICAL INFORMATION

For the years ended December 31

($ millions)	2009	2008	2007	2006	2005	CAGR(1) 5 YEAR %	2004	2003	2002	2001	2000	CAGR(1) 10 YEAR %
Mutual funds												
Investors Group												
Sales	5,042	5,946	7,229	6,190	5,488	*1.3*	4,722	4,021	4,916	6,027	7,053	*(1.6)*
Redemption rates (%)												
– total	9.0	9.4	8.4	9.0	10.0	–	10.6	12.8	12.6	11.6	14.0	–
– long-term funds	7.4	7.9	7.3	7.9	8.7	–	9.1	10.7	10.2	9.6	11.7	–
Net sales (redemptions)	404	625	2,158	1,345	778	*13.1*	218	(839)	(109)	1,031	976	*(11.5)*
Assets under management	57,655	47,491	60,194	58,216	50,701	*5.3*	44,510	40,904	37,588	41,644	44,498	*3.6*
Mackenzie(2)												
Sales	4,905	7,949	8,453	8,424	8,075	*(6.3)*	6,786	5,282	5,998	3,454	–	–
Redemption rates (%)												
– total	17.5	22.4	17.8	17.8	17.6	–	16.9	17.3	17.6	16.7	–	–
– long-term funds	14.6	18.7	14.1	15.2	14.8	–	13.8	13.0	11.9	11.6	–	–
Net sales (redemptions)	(1,566)	(1,553)	(89)	658	1,175	*N/M*	795	(69)	288	24	–	–
Assets under management	40,624	35,814	46,563	46,600	41,592	*1.7*	37,298	33,770	30,860	33,400	–	–
Investment Planning Counsel												
Sales	343	244	364	352	407	–	259	–	–	–	–	–
Redemption rates (%)												
– total	12.7	15.8	9.8	9.8	10.2	–	10.5	–	–	–	–	–
– long-term funds	11.6	14.8	9.4	9.4	9.7	–	9.5	–	–	–	–	–
Net sales (redemptions)	106	(80)	139	155	237	–	161	–	–	–	–	–
Assets under management	2,140	1,740	2,268	2,206	1,858	*7.4*	1,497	–	–	–	–	–
Combined mutual fund assets under management(3)	100,419	85,025	108,994	106,987	94,116	*3.8*	83,273	74,674	68,448	75,044	44,498	*9.5*
Total assets under management	120,545	101,742	122,982	119,364	100,233	*6.8*	86,621	76,737	69,969	76,951	44,498	*11.5*
Corporate assets	8,646	8,263	7,859	7,333	6,807	*6.0*	6,473	6,292	5,987	6,122	1,985	*16.9*
Consultants – Investors Group	4,633	4,479	4,331	3,917	3,668	*5.8*	3,496	3,223	3,324	3,409	3,483	*2.5*

Includes Mackenzie from date of acquisition (April 20, 2001).
Includes Investment Planning Counsel from date of acquisition (May 10, 2004).
(1) Compound annual growth rate.
(2) For Canadian mutual fund operations only.
(3) Adjusted for inter-segment assets.

Board of Directors and Executive Officers

AS AT DECEMBER 31, 2009

Board of Directors

R. Jeffrey Orr
Chairman of the Board
IGM Financial Inc.

Marc A. Bibeau [1,2,4]
President
Beauward Shopping Centres Ltd.

André Desmarais, O.C., O.Q. [1,4,5,7]
Deputy Chairman, President and Co-Chief Executive Officer
Power Corporation of Canada
Co-Chairman
Power Financial Corporation

Paul Desmarais, Jr., O.C., C.Q. [1,4,5,7]
Chairman and Co-Chief Executive Officer
Power Corporation of Canada
Co-Chairman
Power Financial Corporation

V. Peter Harder [1,3,5]
Senior Policy Advisor
Fraser Milner Casgrain LLP

Daniel Johnson [1,4]
Counsel
McCarthy Tétrault LLP

The Right Honourable Donald F. Mazankowski, P.C., O.C., A.O.E. [1,2,4]
Company Director

John S. McCallum [2,3,6,7]
Professor of Finance
University of Manitoba

Raymond L. McFeetors
Chairman of the Board
Great-West Lifeco Inc.

R. Jeffrey Orr [1,4,5,7]
Chairman of the Board
IGM Financial Inc.
President and Chief Executive Officer
Power Financial Corporation

Roy W. Piper [2,3,5,6,7]
Self-Employed Farmer

Michel Plessis-Bélair, FCA
Vice-Chairman
Power Corporation of Canada

Henri-Paul Rousseau [1,4]
Vice-Chairman
Power Corporation of Canada

Philip K. Ryan [1,4]
Executive Vice-President and Chief Financial Officer
Power Corporation of Canada

Susan Sherk [1,3,5,6]
Senior Human Environment Associate
AMEC Earth and Environmental

Charles R. Sims, FCA [1,4]
Co-President and Chief Executive Officer
IGM Financial Inc.
President and Chief Executive Officer
Mackenzie Financial Corporation

Murray J. Taylor [1,4]
Co-President and Chief Executive Officer
IGM Financial Inc.
President and Chief Executive Officer
Investors Group Inc.

Gérard Veilleux, O.C., D.U. [3]
President
Power Communications Inc.

Director Emeritus
The Honourable Paul Desmarais, P.C., C.C.

Executive Officers

Charles R. Sims, FCA
Co-President and Chief Executive Officer

Murray J. Taylor
Co-President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President and Chief Financial Officer

Geoffrey D. Creighton
Senior Vice-President, General Counsel and Secretary

Committees

1. Executive Committee
   Chair, R. Jeffrey Orr
2. Audit Committee
   Chair, The Right Honourable Donald F. Mazankowski, P.C., O.C., A.O.E.
3. Public Policy Committee
   Chair, Susan Sherk
4. Investment Committee
   Chair, R. Jeffrey Orr
5. Compensation Committee
   Chair, R. Jeffrey Orr
6. Related Party and Conduct Review Committee
   Chair, John S. McCallum
7. Governance and Nominating Committee
   Chair, R. Jeffrey Orr

Shareholder Information

Head Office
447 Portage Avenue
Winnipeg, Manitoba
R3C 3B6
Telephone: 204 943 0361
Fax: 204 947 1659

Auditors
Deloitte & Touche LLP

Transfer Agent and Registrar
Computershare Trust
Company of Canada

Telephone: 800 564 6253
service@computershare.com
Fax: 888 453 0330

600, 530-8th Avenue S.W.
Calgary, Alberta T2P 3S8

1969 Upper Water Street
Suite 2008, Purdy's Wharf Tower II
Halifax, Nova Scotia B3J 3R7

1500 University Street, 7th Floor
Montreal, Quebec H3A 3S8

100 University Avenue,
9th Floor
Toronto, Ontario M5J 2Y1

510 Burrard Street, 2nd Floor
Vancouver, British Columbia V6C 3B9

830-201 Portage Avenue
Winnipeg, Manitoba R3B 3K6

Stock Exchange Listing
Toronto Stock Exchange
Shares of IGM Financial Inc. are listed on the Toronto Stock Exchange under the following listings:
Common Shares: IGM
First Preferred Shares, Series B:
IGM.PR.B

Shareholder Information
For additional financial information about the Company, please contact:
Gregory D. Tretiak,
Executive Vice-President and
Chief Financial Officer
Telephone: 204 956 8748
Fax: 204 956 1446
greg.tretiak@investorsgroup.com

For copies of the annual or quarterly reports, please contact the Corporate Secretary's office at (204) 956-8383 or visit our website at www.igmfinancial.com

Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au Secrétaire de Société financière IGM Inc.,
447 Portage Avenue,
Winnipeg (Manitoba) R3C 3B6

Annual Meeting
The Annual Meeting of IGM Financial Inc. will be held at The Fairmont Winnipeg, Winnipeg Ballroom, Mezzanine Level, Two Lombard Place, Winnipeg, Manitoba, Canada on Friday, May 7, 2010 at 10:00 a.m., Central Time.

Websites
Visit our websites at
www.igmfinancial.com
www.investorsgroup.com
www.mackenziefinancial.com
www.ipcc.ca

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Mackenzie INVESTMENTS*

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